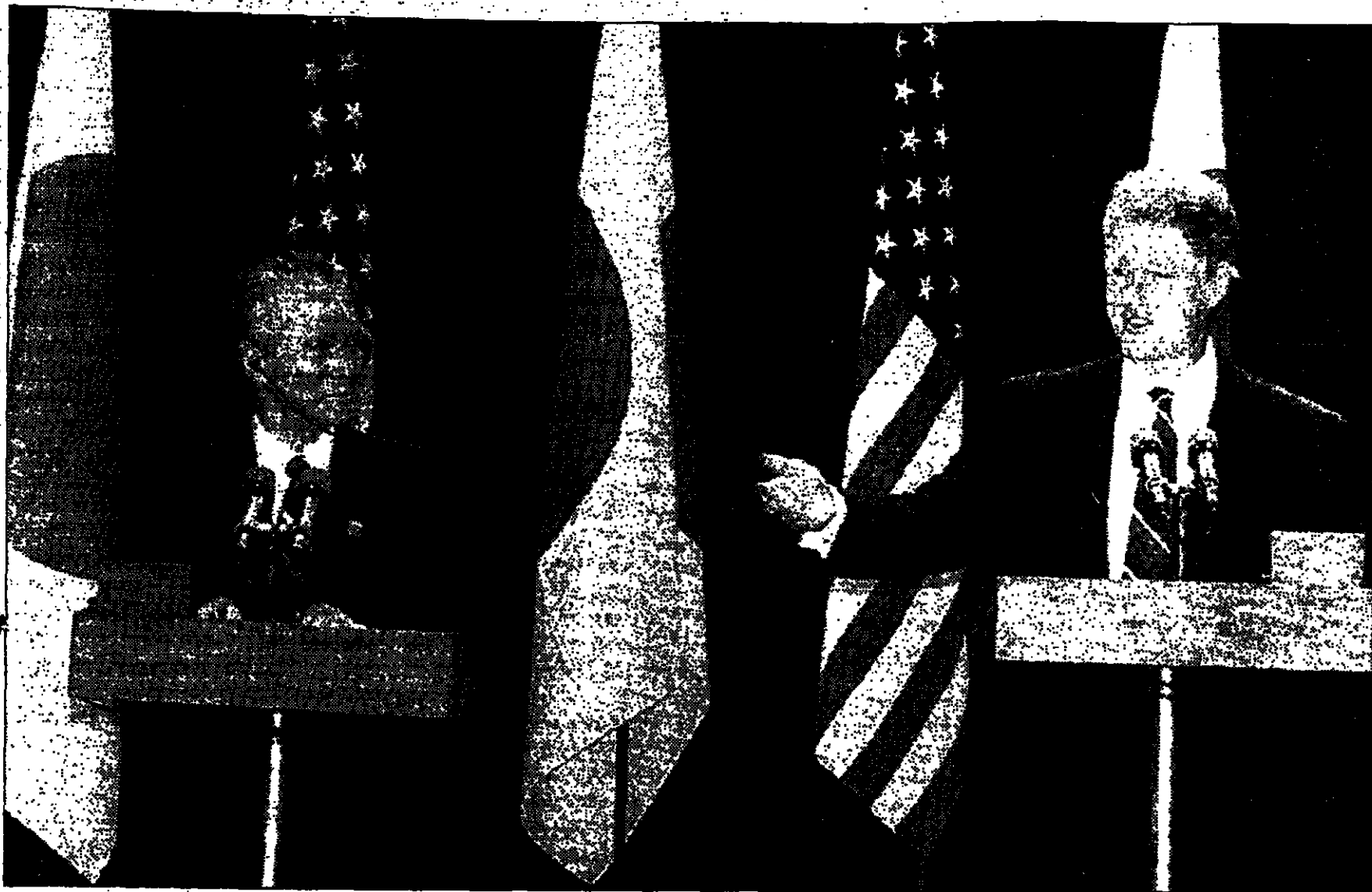


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Prime Minister Tomichi Murayama and President Bill Clinton at a news conference following their talks at the Group of Seven meeting in Naples on Friday.

No Support in Sight For Dollar as G-7 Opens Naples Talks

By Alan Friedman

International Herald Tribune

NAPLES — As leaders of the world's seven richest industrial democracies assembled here Friday for their annual summit, President Bill Clinton and other U.S. officials appeared to rule out any immediate and concerted action by the seven to prop up the ailing dollar.

Moments after Mr. Clinton spoke, the dollar tumbled to a 20-month low against the Deutsche mark and fell against the yen as well. (Page 10)

Mr. Clinton, just hours after his first meeting with the newly installed prime minister of Japan, Tomichi Murayama, said, "We should be very concerned about the value of our dollar, and we should tell the world that we do not wish to have a low dollar."

But he stressed that the U.S. currency had dropped to "an historic low against the yen only" and predicted that the value of the dollar would rebound once Japan's economic recovery expands and U.S.-Japanese trade talks make progress on opening Japan's markets.

Mr. Murayama conceded: "I don't think there will be stability immediately" in the volatile yen-dollar relationship.

Mr. Clinton also noted that coordinated central bank interventions in foreign exchange markets sometimes "work for a little bit and sometimes they can make a real difference." But he said that over the long run the best thing to do to stabilize the dollar was "to send a signal to the markets that we are working on the economic fundamentals."

Lloyd Bentsen, the U.S. Treasury secretary, said after meeting his Japanese counterpart that "we have concerns about volatility in our currencies, but the underlying fundamentals are excellent."

A senior Clinton administration official who asked not to be named said, "We do not see a currency agreement coming out of this summit."

Another U.S. official noted that while a coordinated intervention by the Group of Seven industrialized countries was "not in the works," there might well be an expression of concern about the dollar's weakness by G-7 leaders.

"We never signal our future intentions on interventions, but developments in the currency markets are of concern and there

See DOLLAR, Page 5

Clinton Says Junta Actions To Determine Haiti's Fate

By Ruth Marcus

Washington Post Service

NAPLES — President Bill Clinton on Friday defended his decision to refuse political asylum in the United States to Haitian boat refugees, and said he was disappointed in Panama's "retraction" of its offer to provide shelter to fleeing Haitians there.

Speaking at a news conference on the first day of the Group of Seven summit meeting here, he repeatedly refused to rule out military action to oust the Haitian leadership and said it was their abusive behavior — not U.S. actions — that had created the recent surge of refugees.

"The conduct of the military leaders in Haiti will have more than anything else to do with what options are considered when," he said. "And that conduct has not been good." It was one of his most explicit statements yet about the prospect of military intervention by the United States.

A senior U.S. official said later that Mr. Clinton's comments should be taken as a "strong statement of the general point" that military action is among the options but not as a sign such a move is imminent.

The official cited "signs of ferment" in the Haitian military forces as one of what he described as "increasing signs" that tightened economic sanctions are working. But he acknowledged that "the refugee flow makes the problem a lot more difficult."

More than 17,000 refugees have been picked up by the U.S. Coast Guard since the United States announced that it was reversing its previous position and would begin processing refugees aboard ships.

The heavy flow of refugees led the administration earlier this week to shift position yet again, announcing that Haitians picked up on the high seas would no longer be eligible for political asylum in the United States. Instead, they will be sent to "safe havens" at the Guantanamo naval base in Cuba and in other countries where they would await a time when they could be returned safely to Haiti. Only Haitians who take the risk of going to processing centers in Haiti would be able to enter the United States.

Mr. Clinton, in his first comments on the latest twist in U.S. policy, said

See HAITI, Page 5

West Gropes for a Post-Cold War Grand Design

By Craig R. Whitney

New York Times Service

NAPLES — President Bill Clinton's trip to Eastern and Central Europe and the conference of seven major industrial democracies that began here Friday both show European leaders how far they still have to go, five years after the Cold War ended, to solve the security and economic problems that followed it.

From the European point of view, Mr. Clinton's role is crucial. Without clear American leadership and commitment, the West can neither redefine relations with Russia and the East European countries the Soviet Union used to dominate, nor redefine the institutions needed to ensure lasting stability from the Atlantic to the Urals in the new era.

Those are the broadest purposes of Mr. Clinton's trip and of the annual economic summit meeting here, which for the first time will include President Boris N. Yeltsin of Russia as a full participant in the political part of the gathering that will begin Saturday night after the economic discussions end.

Mr. Yeltsin is not participating in the economic talks, which the Europeans would like to center on jobs and the lack of them in Western Europe, where an average of 11 percent of the work force is unemployed.

The problem could become even more acute as low-wage East European countries make the transition to a free market economy and increase their exports of cheap manufactured goods, because Western Europe's welfare-

work. With many European leaders in weak domestic political positions or facing elections within the next year, few are eager to tell voters that things like six-week annual vacations and 35-hour workweeks may be things West Europeans may have to sacrifice as their neighbors to the east begin to compete with them economically.

The U.S. economy has generated millions of jobs over the past two years, and Washington is encouraging its European and Japanese allies to pursue high-growth economic policies in the year ahead. But uncertainty about trade imbalances and concern about the Clinton administration's trade policy toward Japan have weakened the dollar on international currency markets.

European leaders seem to view that as primarily an American problem.

"There's been no effect on the European currency system," said Gert Haller, a German Finance Ministry official.

Many European officials regard Mr. Clinton's foreign policy team as weak and think his attention to European

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NEWS ANALYSIS

state economies make labor too expensive to cope with the growing competitive challenges of the global economy.

"Unemployment is the central problem of our economies, and has become the problem of the G-7," a high-ranking French aide to President Francois Mitterrand said. "If we do not solve it, we risk shaking the foundations of our entire economic system."

But unemployment is only one of the problems that has to be solved in the post-Cold War economic frame-

Aid Agencies in Rwanda Face 'Logistical Nightmare'

By Raymond Bonner

New York Times Service

CYANIKA, Rwanda — Two weeks ago, about 40,000 refugees had jammed themselves into this hilltop village. Now there are at least 60,000, and peasant families continue to stream in, arriving after days of walking, in rags, dirty, exhausted, suffering from malaria and dysentery.

The International Committee of the Red Cross estimates that at least 1.8 million Rwandans have been forced to flee their villages and are living in makeshift camps like this one.

"There is no other situation like this in the world today, in terms of scale," said Patrick Fuller, a Red Cross spokesman. The population of this small country before the war was slightly under 8 million, which would mean that almost a quarter of the population has been made homeless by the war between the Hutu-dominated government and Tutsi-led rebels.

Thomas Gurner, the Red Cross relief coordinator for Rwanda, described the situation as "alarming" but said there was "still a chance to save these people if we get cracking."

Providing for the needs of 1.8 million displaced people will be a "logistical nightmare," he added.

More than 1.4 million of the displaced are Hutu jammed into the shrinking sec-

Tutsi-led rebels agree to respect a no-fight zone for refugees. Page 2.

tion of the country controlled by the government.

Through other charities are returning to this side of the front line, for the last three months the Red Cross has been the principal international relief organization in the Hutu areas. In the rebel-controlled areas, at least 10 international agencies are providing relief, according to a May 28 report

by the Rwanda Patriotic Front, the Tutsi-dominated rebel group.

Many of the foreigners who were working in government areas left in April after Rwanda's president, Juvénal Habyarimana, died in a suspicious plane crash, unleashing a wave of killing, mostly of Tutsi and moderate Hutu who were opposed to the government.

The Red Cross has been operating on both sides of the line since the outbreak of the civil war in October 1990. "It is no safer on the RPF side than here," Mr. Gurner said.

Many of the relief agencies that fled Rwanda now operate out of Bujumbura, the capital of neighboring Burundi. The agencies hold weekly meetings to discuss the crisis in Rwanda, but so far they have delivered little but promises, said Stephen Jackson, who works here for Trocaire, an Irish relief agency.

Trocaire has been providing logistical support for three Catholic nuns from the

Medical Missionaries of Mary, of Dublin, who have been struggling to save lives at the camp in Cyanka since they arrived June 23.

Seven or eight people are dying in Cyanka every day, said Dr. Genevieve van Waesberghe, one of the three nuns, as she tended to a two-year-old boy who was in critical condition; he had been struck by a tree being felled by another refugee for his shelter. Dr. van Waesberghe said the situation was more disastrous in nearby camps where there is no foreign assistance.

Most of the aid delivered to more than 350,000 refugees in the Cyanka area has been provided by Caritas, the relief agency of the Catholic Church. But to help the refugees, Caritas has had to draw on food supplies intended for famine victims.

The World Food Program is already stretched, providing for the needs of more than 250,000 refugees in Sudan, Somalia and Ethiopia.

WORLD CUP GRANDSTAND

Just What Was Expected

For all of its fits of drama and tragedy, the World Cup has gone basically to plan. (Basically, there was no plan.) A record seven European teams have advanced, which might say something about European soccer but probably doesn't — other than to deduce that the rest of the world went 1 for 11 in the first round.

And the Winner Is...

The Romanians say Gheorghe Hagi has been the best player in the tournament. The Dutch vote for Dennis Bergkamp. And for each team, its hopes will be riding on its star this weekend.

Saturday's quarterfinal matches: Italy vs. Spain, in Foxboro, Massachusetts, 19:05 GMT; Netherlands vs. Brazil, in Dallas, 19:05 GMT; Sunday's quarterfinal matches: Bulgaria vs. Germany, in East Rutherford, New Jersey, 19:05 GMT; Sweden vs. Romania, in Stanford, California, 19:35 GMT.

World Cup report: Pages 20 and 21

Thinking the French Way Philosophically, It Comes Down to a Test

By Alan Riding

New York Times Service

PARIS — Does knowledge inhibit the imagination? Is a coherent thought necessarily true? Can a work of art be considered immoral?

Or, is passion compatible with wisdom? O.K. Now, over the next four hours, write a five-page dissertation on one of these topics.

Year in, year out, the rite of passage from France's senior high schools is unchanged, and last month no fewer than 570,000 students around the age of 18 set about trying to show that, while perhaps not yet budding philosophers, they already knew how to discuss an abstract subject.

France is still the only country in the world that requires the study of philosophy in high school. But, more than instilling a smattering of knowledge about

Hobbes or Voltaire or Locke or Marx, this policy aims to teach young French men and women how to think — to think in the French way.

"At this stage, it's a rhetorical exercise, a question of being able to present an argument," said Luc Ferry, a philosophy teacher. "And, since Victor Cousin in the mid-19th century, this has been done through the method of presenting a thesis, an antithesis and a synthesis."

In high schools and, above all, in the "baccalauréat" examination, the topics are chosen to force young minds into new areas through analysis of, say, truth or conscience or freedom. "All my students want to discuss is love," one high school teacher said with a laugh.

In the exam room they have to be ready for more. Last year's questions included, Is reality always realistic? Among questions presented for dissection two years ago were: Can self-knowledge be sincere? And, more mischievously, How do you know that a problem is philosophical?

Yet, in the land of Descartes, it is the method that has had most lasting effect. As about discovered by anyone who has sat in a smoke-filled Left Bank cafe or around an elegant Paris dinner table, good conversation involves taking a subject, examining it from all sides and conceptualizing it to

See FRANCE, Page 5



KEEPING THE LID ON — An Israeli soldier pushing away a settler Friday from a barricade of burning tires on the Jerusalem-Hebron road. West Bank settlers were protesting the killing of two Jews. Page 5.

Kiosk

Simpson to Be Tried On Murder Charges

The judge in the O.J. Simpson case ruled Friday that the former football star must face trial on charges that he murdered his former wife and her friend.

Judge Kathleen Kennedy-Powell issued the ruling after a preliminary hearing in Los Angeles. She denied bail.

Mr. Simpson has pleaded not guilty to the June 12 slayings of Nicole Brown Simpson, 35, and Ronald Goldman, 25. Earlier article, Page 3.

Sports

Greg LeMond, exhausted, dropped out of the Tour de France. Page 19.

Art

Three rare works of art bring record prices in London. Page 6.

Book Review

Crossword Page 19.

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The Dollar		Fri. close	
DM	1.581	1.5716	
Pound	1.5495	1.5405	
Yen	98.055	98.60	
FF	5.365	5.4035	

U.S. and Korea Cite 'Useful' Nuclear Talks

By R. Jeffrey Smith

Washington Post Service

GENEVA — Senior U.S. and North Korean officials held what they both described as "useful and productive" discussions here Friday on nuclear and other matters, but indicated that they remained greatly at odds over how to resolve North Korea's alleged pursuit of nuclear weapons.

Assistant Secretary of State Robert L. Gallucci and other U.S. officials spent the day laying out what he has called a "broad and thorough" American proposal for es-

Russia is ready to provide North Korea with a light-water nuclear reactor. Page 2.

establishing closer ties with North Korea while ensuring that the country cannot develop a substantial nuclear arsenal.

At the close of his first day of direct negotiations with North Korea since July 1993, however, Mr. Gallucci declined even to say whether he remained optimistic that a settlement was likely or how long the talks would continue. He said that the two sides had discussed "the full range of issues outstanding between us." More discussions were to be held Saturday.

Mr. Gallucci's North Korean counterpart, First Deputy Foreign Minister Kang Sok Ju, said the discussions were "extensive" and "very serious." He said that while "both sides have identified there is much in common" in their positions, "there are many points on which the two sides differ very much."

Mr. Kang said he hoped that in coming days "we can try to narrow down our differences on ways to resolve the nuclear issue." In marked contrast to periodic

See NUCLEAR, Page 5

Newsstand Prices	
Andorra.....9.00 FF	Luxembourg 60 L Fr
Antilles.....11.20 FF	Morocco.....12 Dh
Armenia.....1.40 CFA	Qatar.....8.00 Rials
Bahrain.....E.P. 5000	Réunion.....11.20 FF
Brazil.....9.00 CFA	Saudi Arabia 3.00 R.
Bulgaria.....960 CFA	Senegal.....960 CFA
Cambodia.....200 PTAS	Spain.....200 PTAS
Canada.....300 CFA	Tunisia.....1,000 Din
China.....2,000 Lire	Turkey.....T.L. 35,000
Czech Rep.....1 JD	U.A.E.....8.50 Dirh
Denmark.....100 Kr	U.S. Mil. (Eur.) \$1.10
Egypt.....100 P	
France.....100 F	
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Plan to Split Bosnia Challenges Serbs

Leaders Studying a Proposal Short of Territorial Demands

By Roger Cohen
New York Times Service

ZAGREB, Croatia — The latest map advanced by international diplomats for a settlement of the Bosnian war offers the Muslim-led Bosnian government a more extensive and viable territory than any previous proposal, but appears to pose critical problems for the Bosnian Serbs.

Throughout the 27-month Bosnian war, the Bosnian Serbs have made two basic demands: that their territory in Bosnia be contiguous rather than fragmented, and that their claim to separate statehood or eventual integration with Serbia be accepted.

These two demands reflect the deeply held Serbian view that the international recognition of Bosnia in April 1992 was a travesty that failed to take account of the fact that the Serbs—almost one-third of the Bosnian population—had made their objections to secession from Yugoslavia abundantly clear.

The result was that a large Serbian minority was left facing a fairly hostile Muslim-led government in a country whose existence the Serbs had never approved.

In the new map, prepared by the United States, Russia, France, Britain and Germany, the Serbs will find little satisfaction. The corridor connecting their territory in eastern and western Bosnia tapers to a narrow point in the northern town of Brcko, leaving the Serbian land severely vulnerable to the fragmentation they have repeatedly rejected.

Moreover, Secretary of State Warren M. Christopher said categorically this week that the map was intended "to preserve the state of Bosnia as a single state within its internationally recognized borders."

Thus, while the Clinton administration has reluctantly agreed to give the Serbs several towns in which they killed or evicted the Muslim population, it has—after some wavering—decided not to budge on the question of Bosnia's remaining a single state.

Bosnian Serbs' pretensions toward independence or union with Serbia will not be tolerated, the United States feels.

The Bosnian Serbs' leader, Radovan Karadzic, made his objections to this clear on Thursday, saying that "constitutional principles may determine whether we are going to accept the plan or not."

In other words, officials close to Mr. Karadzic said, the Bosnian

Serb leader wants international recognition of his self-styled Bosnian Serb state, or at least of the right of the Bosnian Serbs to an eventual union with Serbia. The most he is likely to be offered, however, is some kind of confederation with Serbia.

On the question of the need for secure links between Serbian land in eastern and western Bosnia, Momcilo Krajisnik, the speaker of the Bosnian Serbs' Parliament, said, "This proposal for Brcko does not suit us at all."

Other Serbian concerns center on the land accorded to the Muslim-Croatian federation in eastern Bosnia on the border with Serbia. This cuts Serbian-held land in the northeast and southeast of Bosnia. In the dark visions of many Serbian nationalists, it brings closer the link they call "Allah's road" or "the green transversal" connecting the Sandzak area of Serbia and Montenegro with the Muslims of Bosnia.

Mr. Karadzic has said repeatedly that eastern Bosnia could not be settled until the status of Sarajevo was determined. But under the new proposal, Sarajevo is to be administered by the United Nations for two years pending a decision on its status. For the Muslim-led Bosnian government, the map offers many advantages, not least the handover of all or most of several important Serbian-held towns, including Jajce, Doboj, Sanski Most, Brcko, and Visegrad.

It provides access to the sea in the south and to the Sava River in the north. The eastern enclaves are incorporated into the main territory, albeit by its own tenuous corridor, and only the Bihac area in the west and the area north of the Serbs' northern corridor are left fragmented.

On the other hand, Muslim refugees who have fought for more than two years to return to towns like Prijedor, Banja Luka, Zvornik, and Vlasenica would have to be told by the government that they are not going home.

"The plan is less favorable to the Serbs than it is to us," the Bosnian president, Alija Izetbegovic, said Thursday. "Despite everything, my opinion is that we should accept this plan, that we should not refuse it, because by refusing it we would do a favor to Karadzic and Milosevic."

Both sides have to reply to the United States, Russia and the Europeans by July 19.

UN Seeks to Extend Truce That Helped Calm Bosnia

Compiled by Our Staff From Dispatches
SARAJEVO, Bosnia-Herzegovina — United Nations officials tried Friday to persuade the warring parties in Bosnia to agree to an extension of a monthlong truce that has brought relative calm to most of the country despite major violations in a few areas.

"We've seen a general decrease in the level of hostilities and the area of hostilities has been generally confined," said a UN spokesperson, Claire Grimes, summing up the truce that expires Sunday will be extended," she added. "We're hoping we can get guarantees from both sides."

A UN special envoy, Yasushi Akashi, traveled to Mostar to win agreement from Ejuj

Ganic, vice president of Bosnia's new Muslim-Croat federation, who negotiated the initial truce for his side last month.

Mr. Akashi was scheduled to travel by helicopter to Pale to meet Radovan Karadzic, president of the self-styled Republic of Srpska that rebel Serbian soldiers have carved out of Bosnia in 27 months of war.

The United Nations reported heavy fighting Friday in the northwestern town of Bihac between Bosnian government troops and forces loyal to a breakaway Muslim leader.

UN soldiers and aid workers remained trapped in his base.

Major Jean-François Philippe, spokesman for French peacekeepers in the region, said in a telephone interview that there had been "heavy fighting."

Movement of as many as 114 French soldiers, along with up to 50 UN military observers, European Union monitors and Red Cross personnel, was restricted by the Bosnian Army 5th Corps for a second day, Major Philippe said.

Ten armed soldiers were guarding the gate, restricting any movement.

(Reuters, AP)



Mr. Gorbachev testifying Friday. "I realize that everything is being done here to provoke me," he said at one point.

Coup Suspect Tries to Turn Tables on Gorbachev

MOSCOW — Former President Mikhail S. Gorbachev was goaded and taunted in court on Friday in his first confrontation since the failed coup of 1991 with a general accused of trying to overthrow him.

"You're a liar!" Mr. Gorbachev shouted at one point, waving his finger angrily at former Deputy Defense Minister Valentin Varennikov tried to turn the witness into the accused.

General Varennikov, who led a mission to Mr. Gorbachev's Crimean vacation home on the eve of the coup, read 33 long questions portraying Mr. Gorbachev as a man who had wrecked Moscow's defenses, sold out to Washington, abandoned the Warsaw Pact, betrayed the army in Afghanistan and finally de-

stroyed the Soviet Union itself. Thirty-one times the judge ruled that the questions were irrelevant to the case and inadmissible.

"What exactly do you mean by a coup?" General Varennikov asked at one point.

"If you don't understand, it's useless trying to explain to you," Mr. Gorbachev snapped back.

Heckled, China's Leader Shuns Germans

Compiled by Our Staff From Dispatches

MUNICH — Shunning German officials for the third day in a row, Prime Minister Li Peng of China canceled his official program Friday and retreated to his hotel after being heckled over human rights abuses in his country.

Rather than face more noisy protests, Mr. Li backed out of an afternoon boat trip and a tour of a farm outside the city following a meeting with business leaders, the Bavarian state press office said. He has been in Germany on an official visit.

It was the fourth time in three days that Mr. Li had either canceled or walked out of events where he encountered protests.

He left a dinner in Berlin late Wednesday, then canceled a stroll through the Brandenburg Gate and cut short a visit to Weimar on Thursday.

Mr. Li is to leave Germany on Saturday afternoon for Romania, ending a trip there that was successful in drumming up business but was a public relations nightmare.

Unlike the big rallies that led him to cancel parts of his itinerary in Berlin and Weimar, only five or six demonstrators showed up Friday at a pier on the Tegernsee Lake where he was to board his boat.

German protesters had planned to place a two-meter (six-foot) copy of the Statue of Liberty on the dock at the lake.

A similar reproduction was a focal point in 1989 of the pro-democracy demonstration in Beijing that Mr. Li and other Chinese leaders ordered crushed with tanks and troops.

"The official program will no longer be followed," a Bavarian government spokesman said, quoting the Chinese delegation's chief of protocol.

The five-day program began with a cordial welcome from political and business leaders eager to tap China's huge emerging market. Mr. Li's large trade delegation signed about \$3.5 billion worth of contracts

and declarations of intent with German firms.

The Social Democratic leader, Rudolf Scharping, who met Mr. Li in Bonn earlier in the week, said he was astounded the Chinese prime minister had avoided demonstrations.

"Somebody who moves around in a Western democracy must be able to cope with the conditions of a democracy," he told the Hamburg Morgenpost.

Bonn and Beijing insisted earlier that Mr. Li's trade tour

of Germany had been a success despite the Chinese leader's conflict with protesters.

"We had already classed this visit as successful and we see no reason to change that," said Chancellor Helmut Kohl's spokesman, Dieter Vogel.

"Of course, the success of the visit will only be proven when we see what is produced by the contracts and the business talks."

He played down Mr. Li's abrupt withdrawals, saying pro-

test demonstrations were normal in countries like Germany. Chinese officials also brushed off the encounters as unimportant.

"Premier Li Peng is accorded a hospitable and friendly reception during his visit in Germany," a Chinese Foreign Ministry spokeswoman said.

"His visit is fruitful and is a complete success and will play an important role in pushing forward Sino-German relations."

(AP, Reuters, AFP)

Russia Offers Light-Water Reactor

The Associated Press

SEOUL — Russia is ready to provide North Korea with a light-water nuclear reactor to replace its outdated graphite-moderated one, the Russian ambassador to Seoul said Friday.

Proposals to provide a new reactor are among efforts to settle tensions over the Communist North's nuclear program. A light-water reactor would be safer and produce less plutonium, which could be used to make atomic bombs.

South Korea, the United States and Japan are discussing plans to provide the North with a Russian-made reactor, South Korea's science and technology minister said this week.

The Russian ambassador, Georgi F. Kunadze, said Friday that "Russia has the best light-water technology and equipment in the world, and we will actively cooperate when North Korea asks for our assistance."

Mr. Kunadze made the offer at a meeting of business leaders and diplomats. But he added that the North would first have to comply fully with international efforts to stop the spread of nuclear weapons under the Nuclear Nonproliferation Treaty.

The North asked for a light-water reactor, among its conditions for freezing its nuclear program. The United States accepted the reactor demand in principle. The two sides were to discuss the issue during talks in Geneva that started Friday.

Beijing Cites Pact With Pyongyang

The Associated Press

BEIJING — China's ambassador to North Korea stressed the importance of the treaty under which the Chinese must come to North Korea's aid if it is attacked, an official report said Friday.

The ambassador, Qiao Zonghui, told an official gathering in Pyongyang that cooperation under the 1961 Chinese-North Korean treaty of friendship and mutual assistance "has a far-reaching effect on the maintenance of peace in Asia."

Mr. Qiao's remarks, quoted by the official Chinese press agency, Xinhua, represent another signal from Beijing that it could take North Korea's side if the international dispute over the nuclear program flares up.

"Under the treaty, North Korea and China are committed to offering one another immediate military and other assistance in the event of an attack. The pact does not apply if either country is the aggressor in a war."

Xinhua paraphrased Mr. Qiao as saying that China would "spare no effort to further strengthen" its friendship with North Korea.

Other Chinese leaders have stressed the long-standing ties between China and North Korea.

On Friday, Vice President Rong Yiren of China told visiting North Korean economic officials that "stronger Chinese-Korean ties of friendship are in accord with the fundamental interests of the two peoples," Xinhua reported.

Rwanda Rebels Agree to a No-Fight Zone

Compiled by Our Staff From Dispatches

KIGALI, Rwanda — Tutsi-led rebels agreed in principle Friday to recognize a no-fight zone that would restrict their ability to attack the remnants of the government army.

The agreement was the clearest signal yet that Rwanda's ethnic war may be nearing an end, a United Nations special envoy said Friday.

UN officials need a cease-fire to clear the way for relief aid to reach an estimated 1.8 million Rwandans fleeing rebel advances. With 900,000 refugees pouring into a safe area in southwest Rwanda guarded by French troops, France urgently appealed for help in caring for the displaced.

The protection zone would cover almost the entire western swathe of the country still under government control, the UN envoy, Shahrar Khan, said.

He said the protection zone had been approved by the interim government and by French troops.

Unresolved issues still block a cease-fire, but Mr. Khan said he believed the government and rebels were close to agreement on a cessation of hostilities.

One condition for a truce was that the Hutu militiamen blamed for the slaughter and the government leaders who incited the massacres be captured and punished, Mr. Khan said.

Mr. Khan said the Security Council would send a team of judicial experts to Rwanda to try to bring the killers to justice. The rebel Rwandan Patriotic Front has not fully agreed to the UN plan, but was receptive to it, Mr. Khan said.

In Paris, Foreign Minister Alain Juppé of France met with representatives of 17

private aid agencies and appealed to them to supply the 500 tons of food he said the nation needs daily.

Prime Minister Edouard Balladur is to travel to New York on Monday to make the case before the UN secretary-general, Boutros Boutros Ghali, and the Security Council that France's humanitarian goals in Rwanda have been substantially met. It is now up to the international community to take over the mission, officials said.

"The contract is fulfilled, lives have been saved, the safe zone is secured—now it's up to the UN," said an official.

Mr. Juppé said he received information Friday from the United Nations that a multinational peacekeeping force would be ready to relieve the French by early August.

(Reuters, AP)

WORLD BRIEFS

Mandela Cracks Down on Violence

JOHANNESBURG (AP) — President Nelson Mandela warned Friday that security forces would crack down on factional violence in black townships southeast of Johannesburg that has killed at least 22 people in the past week.

He said that he would take "very tough action" against anyone "killing innocent people." He said he had been asked to intervene by provincial authorities around Johannesburg after they failed to curb a resumption of low-level township warfare.

After a lull that accompanied South Africa's first all-race elections in April, bloody feuding has resumed in townships around Johannesburg and in KwaZulu-Natal Province on the east coast. On Wednesday, 11 people were killed when gunmen using assault rifles opened fire on cars and taxi vans near Katlehong township outside Johannesburg.

Shuttle Lifts Off With Array of Fish

CAPE CANAVERAL, Florida (AP) — The space shuttle Columbia blasted off Friday with an international crew and a cargo of thousands of fish, news and sea urchins handpicked for this science mission.

It is the 63d space shuttle flight in 13 years and the 17th for Columbia. NASA's oldest shuttle, Columbia holds four Japanese Medaka fish, six goldfish, 126 jellyfish, four newts, 144 newt eggs, 348 Medaka eggs, 180 tadpole eggs and six tadpole testes to fertilize those eggs, 11,200 baby sea urchins and 500 flies. An equal number of animals will undergo identical experiments on the ground as a control group.

Scientists are interested in how the animals develop and behave during the two-week research mission. Japanese biologists, for instance, want to see whether and how fish mate in weightlessness and what the offspring are like.

Bonn Approves Ban on British Beef

BONN (AP) — A dispute isolating Germany from its 11 European Union partners worsened Friday when a partial ban on the import of British beef got final legislative approval.

Fearing that EU trade could be hampered by the measure, the European Commission says it may take Germany to court. The partial ban must still be signed by Health Minister Horst Seehofer, before it takes effect, which he will likely do since he has been pushing hard for this legislation.

Germany has been at odds since last year with the rest of the EU over "mad cow disease," or bovine spongiform encephalopathy, which has killed at least 120,000 cattle in Britain. The Union has turned down German requests to ban exports of British beef, saying there is no proof the disease can be transmitted to humans who eat beef.

U.S. Backs Outlawing Khmer Rouge

PHNOM PENH (AP) — The United States expressed its support Friday for Cambodia's decision to outlaw Khmer Rouge guerrillas. Cambodia's Parliament voted unanimously to make it illegal to be a member of the guerrilla group in hopes of weakening the Khmer Rouge enough to end the 15-year civil war.

A statement released by the U.S. Embassy said, "The Khmer Rouge have committed heinous crimes in the past and have continued an armed insurgency against Cambodia's legitimate government, chosen by the Cambodian people in an internationally recognized act of self-determination."

The Cambodian government was elected in a United Nations-organized poll in May 1993 that the Khmer Rouge boycotted despite signing a peace accord authorizing the election. It has been fighting the new administration since it was formed.

Oil-Worker Strike Bites in Nigeria

LAGOS (Reuters) — Lines of vehicles formed at gas stations in Nigeria for the fifth consecutive day Friday despite steps by the military government to counter a strike by oil workers demanding the release of Moshood K.O. Abiola, the businessman widely believed to have won last year's snarled presidential election.

The strike by the 150,000-strong National Union of Petroleum and Natural Gas Workers has brought long lines at gasoline stations throughout the country. The workers called the strike to press for the release of Chief Abiola, who was arrested June 23 and charged this week with treason.

At least one youth was killed Thursday during a protest in Lagos against the detention of Chief Abiola. The unrest started when youths, who joined a pro-democracy march by hundreds of lawyers, threw stones at the police.

Correction

A New York Times article in the IHT's editions of July 7 incorrectly stated that Lithuania and Estonia place heavy restrictions on citizenship for ethnic Russians in those countries.

TRAVEL UPDATE

Strike Is Planned at French Airline

PARIS (AFP) — The French domestic airline, Air Inter, will reduce its number of flights by a third on Tuesday, when workers plan to stage a 24-hour strike to protest deregulation, the airline said.

The company said it was asking passengers either to confirm their reservations for July 12 or travel on July 13.

The European Commission has ordered Air Inter to end its monopoly on its most profitable routes by November, and to continue service on less profitable routes as a public service. A strike on May 17 forced the cancellation of all flights, and another on June 7 reduced service by half.

Seven people were hurt Friday in Pamplona, Spain, as they dashed through the streets ahead of a herd of bulls, bringing to 12 the number of people treated at hospitals for injuries received during the city's annual bull runs.

France will begin enforcing new traffic laws on Monday, as the French take to the highways for their annual summer vacations. The laws aim to reduce accidents caused by drunken driving and speeding.

The police in Bulgaria have called for signs at border checkpoints to warn drivers of highway robbery. A police spokeswoman said that 74 cases of armed robbery had been reported so far this year, and that 13 people were killed in roadside attacks last year.

Troll Gardens in Copenhagen is to open for a winter season for the first time in its 150-year history, officials said. The amusement park, usually open from late April to mid-September, plans to stage an extra six-week winter season from mid-November until the end of December this year.

Pakistan International Airlines will resume flights to Lebanon in late July after a 20-year break. The first flight is scheduled for July 27, airline and Lebanese officials said. In September, the Swiss national carrier, Swissair, will also resume flights to Lebanon.

(AFP)

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Bahrain	800-002	Ecuador*	999-002	Iceland	1-800-55-1001	Paraguay(CC)	800-19912	(SPECIAL PHONES ONLY)	
Belgium(CC)*	0800-10012	Egypt(CC)*	1-800-55-1001	Ireland(CC)	177-150-2727	Peru(C)	008-11-800	United Kingdom(CC)	0800-89-0222
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Costa Rica*	162								

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THE AMERICAS / COUNTING THE COSTS



GETTING THE HOLY TOUR — Hillary Rodham Clinton listening to Father Diomedo Folliero, left, and Brother Carlo Ferrigno during a visit Friday to the church of Santa Chiara in Naples, where her husband is attending the G-7 summit meeting.

Care for Smokers: \$50 Billion Price Tag in '93

By Philip J. Hilts
New York Times Service

WASHINGTON — The cost of smoking-related health problems in the United States was at least \$50 billion in 1993, twice as much as estimated for previous years, according to a new federal survey.

The Centers for Disease Control and Prevention, an Atlanta-based agency of the Department of Health and Human Services, released the data, saying the estimate was based on a survey of 35,000 people, the most extensive to date.

It also is the only survey that has counted only actual medical bills, making it the most accurate estimate ever done, said Dr. Thomas Novotny, a leader of the study.

The study made these findings:

- Smoking accounts for at least 7 percent of all health care costs in the United States.

• The federal government and state governments pay for more than 43 percent of all smoking-attributed medical expenditures and more than 60 percent for those over the age of 65.

• Most of the costs from smoking are for hospitalization, 54 percent; doctors' bills, 31 percent, and nursing home expenses, 10 percent.

The study was conducted by the disease control agency and researchers from the University of California at Berkeley and the University of California at San Francisco, using information gathered by the federal government's National Medical Expenditures Survey from interviews with 35,000 people in 1987 and 1988. The figures were then adjusted for inflation to reflect the value of the dollar in 1993.

In the survey, each person was interviewed four times in a one-year period, and described their health problems and expenditures. The expenditures were then checked against medical records.

To estimate how much of the expenditures could be attributed directly to smoking, the researchers put respondents into four categories: those who never smoked, those who smoked for less than 15 years, those who smoked for more than 15 years, and those currently smoking.

Then they added up the chief medical expenses of those with the most smoke exposure who had one of five diseases: heart disease, emphysema, lung cancer, arteriosclerosis and stroke.

The share of their medical expenses attributed to smoking was determined by first subtracting for other risk factors. For example, if a person was a smoker and also obese, the percentage of the spending attributed to smoking was less than it would be if the smoker was not obese.

Dr. Novotny said the figures that resulted were "very minimum estimates" and were likely to be lower than the actual costs.

He said that some medical problems attributed to smoking were not counted, like burns from fires caused by cigarettes and low birth weight or other infant health problems caused by a pregnant woman's smoking.

Dr. Novotny said the total economic burden of smoking is at least twice the \$50 billion estimate. Other costs that should be included to reach a total estimate, he said, would be \$6 billion more in estimated costs associated with sick days, and \$40 billion in costs associated with premature death because of smoking.

The agency's figures are likely to be important to states that have passed laws permitting them to sue tobacco companies to recover money the states have spent for health costs linked to smoking.

Dr. Novotny said that state-by-state estimates of the costs of smoking would be available within a few weeks.

Reverse Flight? Heron Pair Picks Manhattan to Nest

By James C. McKinley Jr.
New York Times Service

NEW YORK — Charles Francis Kennedy was the first one to spot the two herons coming and going on their elegant bowed wings from a pin oak near the lake in Central Park. He crept up through the trash-strewn underbrush to get a closer look through his binoculars. He couldn't believe his luck. A nest.

The word traveled fast through bird-watching circles, and soon everyone who cared about such things was trooping quietly to the spot to spy on the loving pair of green herons and their brood in a home of twigs.

Bird watchers had never seen a pair of green herons nesting in the park in the 100 years they have kept records, although the birds have sometimes been seen passing through on a migratory trail in the spring and fall.

"This is a rare and wonderful thing," said Elizabeth Barlow Rogers, the administrator of Central Park. "There are mysteries in the park and the mysteries are really wonderful."

It is not a place one would expect to find herons nesting, ornithologists say. Although the green heron is a relatively common wading bird that ranges throughout North America and has been found in

secluded spots near the city, it prefers quiet woodlands near ponds, inlets, swamps or wetlands, far from human intruders and noise.

Yet there they are, two feathery urban pioneers who have forsaken the sheltered backwaters where their shy brethren usually roost. Paper cups and trash and used condoms litter the lake shore near the nest. Jets roar overhead and the rumble of distant traffic never ceases.

Closer by, a constant stream of pedestrians, joggers and bikers passes on a roadway just a few yards from the spot where the heron pair decided to settle down and raise a family.

In the late 1970s, a longshoreman spotted a lonely pair of herons nesting on an island in the Arthur Kill, the narrow body of water that separates Staten Island from New Jersey. Since then, wading birds have made a steady comeback on the city's islands and coastal waterways as water pollution has eased, bird watchers said.

Last year, the New York City Audubon Society counted 2,065 nesting pairs of herons and egrets on five islands in the Arthur Kill and the East River, up from 1,400 pairs in 1988. But only four of the pairs counted last year were green herons, and never have any herons been known to breed in the heart of the metropolis.

"If you set some land aside and manage it properly, there is a spectacular array of wildlife that can survive right here in the city, and these green herons are symbolic of that," said David Burg, president of the local Audubon Society.

The herons are lanky 14-inch-long (36-centimeter-long) birds with yellow feet, chestnut necks, white throats and gun-metal gray bodies, and when alarmed — a shaggy crest. They have a teal patch on their backs that gives them their name. They feed on minnows and other fish.

The nest is full of five mouths to feed, a whirling mass of gawky chicks, silently gaping for food and exercising their immature and scrunched wings in preparation for flight.

Mr. Kennedy first spotted the nest on May 28, and the first young heron hatched soon after. By next week, the young should be leaving the nest, bird watchers said.

No humans have tampered with the nest, but this being New York City, it's a tough neighborhood anyway.

A few weeks ago, a black crowned night heron tried to eat the young green herons, said Sarah Elliot, a longtime chronicler of avian antics in the park. The parents beat back the interloper in a daylong skirmish that left bird watchers jittery.

Blood at Scene Is Strongest Link Yet to Simpson

The Associated Press

LOS ANGELES — Blood found near the bodies of O.J. Simpson's former wife and a friend of hers matched Mr. Simpson's genetic characteristics, a police investigator testified Friday. He said fewer than one in 200 people has such a combination of markers.

Later, an emotional Mr. Simpson wiped his eyes, sighed deeply and looked away as he heard gruesome testimony about a fatal slash across Nicole Brown Simpson's neck so deep that it reached her spine.

Dr. Irwin L. Golden, a medical examiner who performed the autopsy, described a "gaping wound" that severed both arteries in her neck, causing extensive blood loss.

"This is a fatal wound," Dr. Golden said.

He said Mrs. Simpson also had four stab wounds on the right side of her neck, a bruise on the right side of her scalp, three cuts on the back of her head, as well as cuts and abrasions on her hands. The hand wounds appeared to have been inflicted as she tried to ward off the attacker or grab the weapon, Dr. Golden testified.

Ronald Goldman, a friend of her, said he saw one of the wounds on the left side of her neck, one of which severed a jugular vein, Dr. Golden said.

Stab wounds on both bodies indicated a single-edge knife, he said.

He said a folding knife with a 6-inch (15-centimeter) blade shown to him by homicide detectives was compatible with some of the wounds on both victims.

A deputy district attorney, William Hodgman, asked about the knife without specifying if it was the stiletto model witnesses said that Mr. Simpson bought at a cutlery store in May.

Mr. Simpson grew increasingly grim as the medical examiner testified. He became agitated when Dr. Golden described seeing Mrs. Simp-

son's body clad in a short black dress and black underpants. Relatives of Mrs. Simpson and Mr. Goldman leaned forward in their seats, their faces in their hands.

The blood testimony by Gregory Matheson, a police investigator, was the strongest evidence introduced so far to link Mr. Simpson to the crime scene.

The blood was found on the trail leading away from the bodies. The combination of the three tests excluded Mr. Goldman and Mrs. Simpson as the source of the blood spot, Mr. Matheson said.

He said the three markers exist in only 0.43 percent of the population.

With respect to the defendant, could he have been the

source of the blood drop that was found at the trail at 875 South Bundy?" asked the Deputy District Attorney Marcia Clark.

"Yes, he can be included in a group of possibilities," Mr. Matheson testified at Mr. Simpson's preliminary hearing. Mr. Simpson has pleaded not guilty to the June 12 murders.

A defense attorney, Gerald Uelman, objected to allowing the 0.43 percent figure, saying it was improperly calculated. The judge overruled the objection.

Under cross-examination, Mr. Matheson acknowledged that 40,000 to 80,000 people in the Los Angeles area had the same genetic markers.

Mr. Uelman also succeeded

in pointing out that the test results only exclude sources of blood rather than precisely identifying the source.

"There's nothing here that would individualize a stain to one particular person," Mr. Matheson said.

"So any attempt to analyze this to fingerprints or precise identification of a person would be inaccurate. Is that correct?" Mr. Uelman asked.

"That's correct," Mr. Matheson replied.

Mr. Matheson's testimony was based on standard blood typing and two enzyme tests but not on more sophisticated DNA tests.

With the state nearing completion of its presentation at the

preliminary hearing, prosecutors must provide a direct link between Mr. Simpson and the killings to support holding him for trial. Blood analysis may be their key.

POLITICAL NOTES

California Stubs Out Smokers

SACRAMENTO, California — Culminating a long legislative battle, California's Assembly approved a strong statewide ban on smoking in restaurants and most other indoor workplaces.

After more than a year of lobbying, twisting and arguing, the smoking prohibition cleared the Assembly on a 48-22 vote, and now heads to Governor Pete Wilson's desk.

Exempted from the ban are bars, hotels, warehouses in which 20 or fewer employees work and businesses that employ five or fewer employees where all agree to allow smoking and where minors are not allowed. In addition, the bill also would permit smoking in theaters and movie sets where smoking is part of the production; tobacco shops; medical research facilities looking into the effects of smoking, and nursing homes.

The legislation retains a provision allowing cities and counties to impose tougher smoking restrictions.

When Assemblyman Terry Friedman, a Democrat, first introduced his bill last year, even his supporters doubted he would be successful, given the tobacco industry's long history of killing anti-tobacco bills in Sacramento.

The tobacco industry fought hard, sending teams of high-priced lobbyists from Sacramento and Washington to kill Mr. Friedman's measure. On several occasions, it seemed they had succeeded, only to have Mr. Friedman line up key votes by making compromises and amending the bill. (LAT)

White House Spoofs a TV Spot

WASHINGTON — The White House has launched a counterstrike against the "Harry and Louise" television commercials opposing President Bill Clinton's health-care plan and geared up arrangements for a bus caravan, led by the president and Hillary Rodham Clinton, to put pressure on Congress to pass some version of his proposal.

The Democratic National Committee introduced a 30-second TV spot, made by Harry Thomason, a friend of the Clintons who is a Hollywood TV producer, that ridicules the Harry and Louise characters made famous in

a yearlong ad campaign sponsored by the Health Insurance Association of America. In the White House-approved spoof, Harry has lost his job and is in a full body cast after an accident. Louise, whose arm is in a sling, tells him as she quotes back his disparaging comments about Mr. Clinton's promise of a government guarantee of health insurance for everyone — finally rolling him out of bed and onto the floor.

"You said you'd never lose your job so we'd always be covered," Louise says. "You said, 'What would we do when the government runs out of money?' Well, who's out of money now, Harry?"

The ad concludes with an announcer saying: "Tell Congress you want what they already have — the security of affordable, universal health care." (WP)

A N.Y. Death Penalty Vote?

ALBANY, New York — In an election year, when his staunch opposition to the death penalty has become a major issue, Governor Mario M. Cuomo has proposed that voters be allowed to decide the maximum sentence for murder.

The proposal comes a few days after the state legislature adjourned without passing most of Mr. Cuomo's crime agenda, including bills that would have required life sentences without parole for three-time violent offenders.

Mr. Cuomo, a Democrat seeking his fourth term, said he would ask the legislature to pass a constitutional amendment that would set the maximum penalty for murder. The lawmakers may return next month to deal with unfinished business, including a constitutional amendment to legalize casino gambling.

"How come casino gambling is more important than this issue?" Mr. Cuomo said in an interview. "Don't you see the hypocrisy of it? They say this will make you safe, but for 12 years we've denied you the right to vote for it." (NYT)

Quote/Unquote

Barbara Rissomando, a student at a public school in Naples, after meeting Hillary Rodham Clinton: "She was very motherly, not at all official looking." (AP)

Cameron Mitchell Dies at 75, Was Veteran Character Actor

Los Angeles Times Service

LOS ANGELES — Cameron Mitchell, 75, a veteran character actor perhaps best remembered for his role as Happy in both the stage and screen versions of "Death of a Salesman," died of lung cancer Wednesday at his home in suburban Los Angeles.

Mr. Mitchell assumed many personalities over nearly four decades in more than 90 films and the television series "High Chaparral." His films varied from Westerns to the serious "Les Miserables" in 1952 to the lighter "How to Succeed in Business Without Really Trying" in 1953 to the role of Jigger in "Carrousel" in 1956.

Other films included "What Next, Corporal Hargrove?" and "They Were Expendable," which marked his screen debut in 1945. "Homecoming,"

"Command Decision," "Okina-wa," "Outcasts of Poker Flat," "Powder River," "Hell and High Water," "Garden of Evil," "Desiree," "Strange Lady in Town," "Love Me or Leave Me," "House of Bamboo," "The Tall Men," and "All Mine to Give."

Dirk van Zyl, 68, Survived 23 Years With New Heart

CAPE TOWN (AP) — Dirk van Zyl, 68, the world's longest surviving heart transplant patient, died Wednesday in a nursing home, 23 years after the operation.

Mr. van Zyl had recently suffered a stroke that left him paralyzed on his left side, and his death was not caused by heart failure, his son said.

Mr. van Zyl received a new heart in a 1971 operation performed by the pioneering sur-

geon Dr. Christiaan Barnard. He was Dr. Barnard's sixth transplant patient. Dr. Barnard performed the world's first heart transplant in 1967 at Groote Schuur Hospital in Cape Town.

William Graf, 82, a producer whose movies include "Lawrence of Arabia," "Born Free" and "A Man for All Seasons," died July 1 in Los Angeles of heart failure.

MEMORIAL NOTICE

A memorial service will be held for John PHILLIPS on Wednesday, July 13, at 15:00 at the American Cathedral, 23 avenue George V, Paris.

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Herald INTERNATIONAL Tribune

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

America and Europe

Bill Clinton is on a major mission in Europe whose purpose is nothing less than to advance the structure of the future Europe. In the first flurry of excitement after the Berlin Wall came down, it was tempting to think that a single cheerful new world might emerge more or less by itself. By now it is clear that the old demons have survived and new complexities have arisen. It falls to the United States to deal with Europe as it is.

Mr. Clinton began in Latvia, a country newly free, deeply uneasy about Russian power, anxious to get the last Russian troops off its soil. There he stepped forward as a mediator, urging the Russians to withdraw but at the same time pressing the Latvians to respect the civil rights of the large Russian minority living among them.

The next stop was Poland, desperate to join the two great Western institutions, NATO and the European Union, that made the other half of the continent secure and prosperous during the Cold War. Poland's president, Lech Walesa, eloquently urged President Clinton not to relegate the former Soviet satellites to "a gray area in a security void, a nowhere land where anything can happen."

From Warsaw Mr. Clinton flew to Naples for the annual meeting of the heads of the seven big industrial democracies, a meeting supposedly on economic policy. But the serious discussion this year is likely to have much more to do with the political framework for Europe. Mr. Clinton's mission goes to the reshaping of the great

multilateral institutions expressing the interests of both Americans and Europeans.

The seven democracies are now moving to bring Russia more deeply into their consultations, and President Boris Yeltsin will be present. Are the Eastern countries served best by extending NATO and the European Union to include them? One test case, certain to be much discussed at Naples, is Ukraine. Its economy is in chaos, its government resists essential reforms, and its decrepit nuclear reactors at Chernobyl are emerging as the great symbol of the risks in letting its downward slide continue.

From Naples the president goes to Germany, where he will speak at the Brandenburg Gate, until four years ago the emblem of Europe's division, now the most dramatic emblem of its new unity. Regrettably, Mr. Clinton has yet to produce a NATO-expansion timetable and, no less important, an appreciation of the enduring geopolitical realities to match the urgency that Central Europe feels about its future.

Just as in the Baltics Mr. Clinton conveyed the message that freedom brings burdens as well as rewards, so in Poland he received a like message from Mr. Walesa. The Polish president reminded him that America is "still indispensable" to taking Europe beyond the restoration of sovereignty and democracy to "a grand vision of a unified continent." This is the core requirement of American policy.

—THE WASHINGTON POST.

Latvia and Its Russians

Latvians cheered President Bill Clinton in Riga on Wednesday when he pledged partnership with the Baltic republics to keep them forever free. But there was stony silence when he appealed to them not to "deny to others the justice and equality you fought so hard for and earned for yourselves, for freedom without tolerance is freedom unfilled." The others he referred to are ethnic Russians, left behind by a receding empire, who are the objects of Latvian intolerance. Latvia, understandably resentful about its past, is right to want all Russian troops out. But it is wrong to avenge the past by discriminating against Russian residents.

In a land of just over 2 million people, Latvia has 700,000 Russian-speaking residents. Some are military retirees who have settled there. Others are Latvian-born descendants of workers sent to Russia by the country decades ago. Under proposed legislation, some 300,000 of them will have to apply for citizenship, but quotas will allow just a trickle to be naturalized. As resident aliens they face discrimination in jobs, education and housing.

There are reasons for this. Latvia did not just suffer loss of independence in 50 years of Soviet rule. Many of its people were exiled to Siberia and elsewhere. It struggled to keep its language and culture vital under pressure of Russification.

Even in America, immigrants have faced discrimination and bigotry. But Americans know the dreadful price of ethnic exclusivity: when allowed to flourish, it has been a divisive and destructive force in their society. They can plead with Latvia to rise above its painful recent history and be tolerant of ethnic differences.

Americans distrust leaders who exploit hatred of "the other" — those of a different ethnicity — to gain power. Especially in Eastern Europe, where no country is ethnically homogeneous, efforts to exclude the other will only give pretexts to neighboring nationalists to protect their kin across the border — or even lead to new Bosnias. Regardless of past wrongs, for Latvia to deny its Russians rights is to invite trouble while impeding close partnership with the United States.

—THE NEW YORK TIMES.

Search, Seizure and O. J.

The preliminary hearing in the O. J. Simpson case has provided a mini-seminar on the Fourth Amendment. The constitutional protection against unreasonable search and seizure is one of the most important rights enjoyed by Americans, and at times one of the most resented. Reasonable people who would be appalled if the police burst into their homes and started opening drawers and searching wastebaskets are often less supportive of the amendment when it provides the same protection to people accused of crime. Some followers of the Simpson case were undoubtedly impatient with days of testimony and hours of debate among criminal law experts on the admissibility of evidence taken from the home of the accused. It is powerful evidence, and if Judge Kathleen Kennedy-Powell had not decided as she did on Thursday to admit it, the public's confusion and resentment might have escalated.

The judge was right to take her time in ruling on the defense motion to suppress the evidence, for the events leading to the contested search are complicated. In retrospect, the police probably did have time to obtain a warrant, which would have averted this controversy. But they did not know that at the time, and made a reasonable assumption that bloodstains on Mr. Simpson's car and on the pavement outside his home meant trouble. They testified that they feared he might also have been wounded or killed, and that it was imperative that they go inside to find out without waiting for a warrant. Exigent circumstances (emergencies) are one of the exceptions to the general principle that warrantless searches taint the evidence obtained, and the judge ruled that the exception applied in this case. Her decision is not final, of course, since the same points can be raised later when the case goes to trial. But for purposes of deciding whether a trial is justified, the challenged evidence will be considered.

What if the decision had gone the other

way and important evidence was kept out because of a defect in the search? That sort of thing happens, and occasionally people go free who might have been convicted if evidence obtained during a tainted search had been admitted. That outcome is always difficult to accept, but on balance the prohibitions in the law serve the public well. The inadmissibility of illegally obtained evidence provides a powerful deterrent to abusive, warrantless searches. No other sanction works as well, for it completely nullifies the reason for the search. Very infrequently, the rule on admissibility ruins a prosecutor's case against a person who is really guilty. But that is a price worth paying to protect the right of all citizens to be secure in their homes, free from the kind of government intrusions that prompted the founders to add the Fourth Amendment to the constitution.

—THE WASHINGTON POST.

Other Comment

Russia Still Underachieves

[One] way in which foreigners can help is by using every opportunity gently to probe Russia's leaders on what they mean when they claim that theirs is a "great country" — which they do both for internal reasons and when trying to muscle their way into Western clubs such as the Group of Seven. It is a dangerous and misleading claim. Greatness should be measured not by the amount of fear a country inspires in its neighbors, but by the vigor of its civilization and the humanity and competence with which it conducts its affairs. That requires an economy that is both efficient and just.

Without that, Russia will always look like an underachiever — and, incidentally, a country not fit for full membership of the Group of Seven.

—The Economist (London).

Really, the Only Bosnia Plan on the Table

By William Pfaff

PARIS — The "peace ultimatum" to the Bosnian combatants, announced on Tuesday in Geneva, has already provoked criticisms that it abandons the moral principle that aggression and ethnic cleansing should not be rewarded.

The elaborate plan for geographical and ethnic partition of Bosnia inside its existing state boundaries, issued by the United States, France, Britain, Germany and Russia, awards the self-proclaimed Serbian Republic of Bosnia a considerable part of the territory it has seized by force and purged of Muslims and Croats through terror.

However, those who criticize President Bill Clinton and other Western leaders for agreeing to this plan are mostly those who also refuse to have the United States, or anyone else, conduct the military operations necessary to correct the plan's injustices. In the absence of an outside commitment to reverse ethnic cleansing, the criticisms are unwarranted. This plan is the only one on the table. Much is wrong with it. It is quite possible it will prove stillborn. If it survives, the survival will be feeble. However, it is the only program the major powers have been able to agree on, and the only one they have committed themselves to enforce with peacekeepers and air power.

That promise may be doubtful in the

American case, despite the commitments given by the Clinton administration. While Congress takes a strong line on arming Bosnians, it takes a different line on putting American troops at possible risk.

There is already a disagreeable element of demagoguery in congressional calls for unilateral U.S. renunciation of the arms embargo on Bosnia that ignore the vulnerable situation of the relief agencies and United Nations troops deployed there.

There will be no unambiguous "yes" to this plan from any side. The Serbs may reject it outright. The plan requires them to give up a third of the 70 percent of Bosnia's territory that they now control.

Even if Serbs, Croats and the Sarajevo government all accept the plan, they cannot be expected to respect it, except when it does so the interests of all. A Bosnian government official has said: "We'll sign and then ignore the agreement. That's what everyone has done in this war so far." He is perfectly correct, and that is what is likely to happen. But that still would mean muted war in place of all-out war.

The plan's demand that refugees and the "ethnically cleansed" be allowed to return

to their homes will certainly not be respected. This is one of the flagrant hypocrisies embedded in the plan. The Serbs have not gone to the trouble to drive non-Serbs out of regions claimed for Serbia only to meekly admit them back, at foreign behest. But what Muslim would want to go home, if the Serbs are in control? The Muslims nonetheless are not going to give up their claim to cities where they once were the majority.

This plan must be seen as a program for a pause in the war, not for peace. A pause suits the major powers because it will get the problem off the television and front pages, and appease public opinion. President Clinton is not the only head of government under public and legislative pressure to solve the war without inconvenience to the public or the necessity for politically compromising votes by legislators.

However, it is necessary to ask if all of the powers involved in drafting this plan are willing to apply the measures threatened in the case of Serbian rejection. If the arms embargo is lifted and NATO employs air power against Serbian violations of UN exclusion zones, the war will enlarge and the Serbian national army could again become involved. The now familiar scenarios by which the war spills over into Serbia itself, and then beyond, will again be relevant.

Faced with this prospect, will the European governments really agree to lift the embargo? Would they really withdraw their UN-committed forces to let the carnage proceed unimpeded? What would the Russian government do? It has been solidly cooperative until now, despite the reproaches of Radovan Karadzic, the Bosnian Serb leader, that Russia has failed its duty to its "Slav and Christian Orthodox brothers."

However, this plan is the only game in town. That is the salient fact. Democratic Senator Joseph Biden has said this is not a plan that "this president or this nation will want to be remembered as having been any party to." What alternative does he offer? If there is to be even a pause in the war, this is how it will happen.

Otherwise, peace in the short term is out of the question, and peace in the long term will come only — as someone who was there said of the first world war — when one of the two last heroes on the two sides, grappling with knives, teeth and fingernails, has finished off the other.

International Herald Tribune.

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Neomomy and Reps. by MOOR in The Sydney Morning Herald. CAW Syndicate.

A Goal for Palestinians: Keep Working Together

By Marwan Bishara

PARIS — Palestinian statehood has now become more likely than a return to the previous situation. This has been symbolized by the arrival of Yasser Arafat with hundreds of FLO members and staff, and by the thousands of PLO members already at work in Jericho and Gaza. The self-rule process started in Oslo and Cairo will go forward, whatever its outcome.

Some Palestinians consider the glass half full. They see no alternative to the "land for peace" formula on which Israel agreed to negotiate. They hope that the self-rule effort can yield demonstrable success, given the population's enthusiastic eagerness and the precedent of efficient management of public and business affairs by Palestinians in Gulf countries.

Others see the glass two-thirds empty. They say Palestinians have signed over most of their land to the Israelis, at least until further notice. Palestinians may have won a chance of running their own lives, but only on a fraction of their land. And improvements in

living conditions in Gaza are expected to give an aura of acceptability to the arrangement.

Opponents of the peace process are not only in Hamas; they include secular and democratic political factions. They complain that the open-ended nature of the new peace formula will be conducive to manipulation, if not domination, by Israel. They hold little hope for tangible improvement in the daily lives of Palestinians.

Improving the lot of people in the camps, job creation, the minimal requisites of a normal, safe existence — all this looks remote to them.

Both sides agree that the agreement is a fait accompli, and that Israel is reluctant to take steps needed to make a success of the self-rule experiment. If the test is failed, they fear, Israel would have few remaining qualms about taking draconian measures to annex part of the West Bank and close off the border with the Gaza Strip (once the safety of Israeli settlers has been ensured).

Neither side sees the agreement as a permanent solution. Proponees see it as a first step, and opponents as a severe setback. In fact, the agreement covers only about 60 percent of Gaza, and less of the Jericho area.

On the latest of my recent visits to the Gaza Strip, it seemed obvious that people were less and less hopeful that genuine changes would occur, beyond a changing of the guard. Soon enough, Yasser Arafat will find himself squeezed between implementing the agreement as it stands and living up to popular expectations.

Mr. Arafat needs to concentrate on forging a strong relationship between the Palestinian people and the new authority. He needs to cement his legitimacy in new ways, and to remember that a democratic process guaranteeing free elections is the only guarantee of future stability based on political accountability.

If the authority fumbles and fails, Mr. Arafat will soon find

that he has lost on both the Palestinian and the Israeli fronts. He needs to inform and inspire, to tell the people clearly about the challenges and responsibilities ahead. The good news deserves emphasis, but so do the risks.

In Palestine, weapons are plentiful, not only among the police but also among the various factions, parties and "armed militias." The situation could become explosive. Any confrontation between police insisting on dismissing these groups and the factions upholding a "right" to self-defense could lead to a bloodletting in the Gaza Strip.

If people cannot hold their fire and resolve their differences, or agree to disagree, a civil war is a real possibility. A Kurdish-style nightmare could be around the corner. Palestinians need to ensure that Gaza-Jericho is indeed a first step, not a last one.

The writer, a Paris-based commentator on Middle East affairs, contributed this column to the International Herald Tribune.

The writer, who worked in Mexico for more than 20 years, is chairman of American Premier Inc. and of Business Executives for National Security, an organization of U.S. business leaders. He contributed this column to the International Herald Tribune.

Toward Mexican Democracy: Here Comes Mañana

By Stanley A. Weiss

LONDON — I once bragged to a friend in Mexico that in the United States we would know the winner of a presidential election within an hour after the polls closed. That's nothing, he replied. "Here in Mexico, we know almost a year before."

The Institutional Revolutionary Party has ruled Mexico for 65 years with a singularly successful formula: the government controls the party and the party controls the government. "The perfect dictatorship," as the Peruvian novelist Mario Vargas Llosa described it.

The PRI has won every presidential election. It controls Congress, the judiciary and most of the media. It co-opted labor, peasant farmers, bureaucrats and the army. It has provided stability and order since 1929.

And stability and order were what an exhausted and chaotic state looked for in the aftermath of a revolution and the civil wars that swept across Mexico between 1910 and 1929. A million lives were in a population of 12

million. The people welcomed the PRI, initially little more than a network of generals.

During the 1930s, the PRI distributed land, improved working conditions and expropriated the foreign oil companies. After World War II, high protectionist walls were built to keep out foreign competition. The state and party played the key role in industrial and agricultural development, and ultra-nationalism, patronage, protectionism and corruption became the way of life — and of doing business.

It was not until 1982 that the era of economic liberalism began — ironically, when Mexico defaulted on its foreign loans. The International Monetary Fund, the World Bank and the United States helped Mexico get back on its feet. Under the government's program of privatization, state-owned firms declined in number from 1,555 to 217. Foreign investment rose from \$10 billion in 1980 to more than \$70 billion

today. Mexico has its lowest rate of inflation in a quarter century. Its budget today has a surplus.

What never changed was the politics. By the end of President Miguel de la Madrid's six-year reign, he felt the process of modernization of the economy was just getting started. He selected as his successor another technocrat who shared his views, Carlos Salinas de Gortari. Both men followed the Asian model of development — free enterprise first, free elections later. When it came to democracy, the PRI paraphrased St. Augustine: Lord, give me democracy, but not quite yet.

Well, yet is now.

The next president will not be known before balloting starts on Aug. 21. The Salinas regime has instituted reforms making electoral fraud a criminal offense, assuring the independence of the federal election commission, and inviting international observers to supervise the voting.

Ernesto Zedillo Ponce de León, picked to replace the assassinated Luis Donaldo Colosio as the PRI candidate, can no longer assume certain victory.

In addition to facing Cuauhtémoc Cárdenas — candidate of the leftist Party of Democratic Revolution, who most Mexicans believed was robbed of presidential victory in 1988 by the PRI — Mr. Zedillo will be running against Diego Fernández de Cevallos, son of a founding member of the center-right National Action Party. A trial lawyer and member of Congress, Mr. Fernández will be a formidable opponent, making Mr. Zedillo as "a good little boy with high grades who has not passed the test of democracy."

The election approaches amid apparent instability. The on-again, off-again Zapatista rebellion in the southernmost state of Chiapas has been on again. And a rift in the PRI leadership is widening.

A New Left In Reserve For Britain

By Anthony Lewis

LONDON — For a longtime observer of British politics to re-examine the scene is an eye-rubbing experience. Many old truths have been turned upside down.

The Labor Party used to be the home of Little Englanders opposed to British membership in the European Community and generally suspicious of foreigners. Today a powerful group of Conservatives are Euroskeptics and sound the trumpet of xenophobia. Labor is committed to Europe.

Labor was socialist in the old sense: nationalization, a feeble trade unions, class conflict. Today it exalts market economics. "We are not a tax-and-spend party," Tony Blair, heir apparent to the party leadership, said in an interview. "Those days are over."

Mr. Blair, the heavy favorite in a leadership contest now going on, is a perfect symbol of the new-model Labor Party. He is young, 41, and looks younger. He went to private school and Oxford and speaks with the accent of the upper-middle class. His wife, Cherie, is a lawyer, as he used to be.

He made his name as the shadow home secretary by moving Labor to a tough position on crime, while also pledging to be tough on the social decay that breeds crime. When charged with straying from Labor's base in the working class, he said: "These are the very people who care about crime."

Education similarly: Mr. Blair has lately begun moving Labor to what could be called more conservative positions on state schools. He emphasizes the need for discipline, high teaching standards and parental involvement. But he has also called for the state to provide many schools for all.

Most positions are reminiscent of what America's so-called New Democrats are trying to do by way of shedding the albatross political baggage of the 1960s. Bill Clinton, too, is for tough measures against crime and restraints on government spending.

The two most important features of Conservative rule in the last 15 years, Mr. Blair said in the interview, have been that taxes have risen as a proportion of national income and so has government spending. "We are a high-tax economy," he said, "because we are a low-success economy."

You can hear him campaigning when he says such things. (The next election must be held by June 1997.) But what would Labor's tax policy be? On that and similar specifics he is deliberately silent. "I'm certainly not going to write our tax plans or spending plans now," he said. The lesson of the election two years ago is too plain. John Smith, the Labor leader whose sudden death in May led to the present contest, unveiled a detailed tax proposal in 1992. The Conservatives ran against it and narrowly won.

A striking change in Labor policy, as Mr. Blair represents it, is his belief in a bill of rights for Britain — rights enforceable by judges, as in the United States. He would make the European Convention on Human Rights part of British domestic law.

Labor traditionally opposed a bill of rights on the ground that it would give too much power to unelected judges. "That is a risk," Mr. Blair said, "but you have to balance the risk. One of the features of a civilized society is the protection of minorities against the abuse of power by majorities."

If he becomes leader, that fact alone will do much to kill the old and losing image of the Labor Party as a tired relic of the past. Instead it will be a party that calls for renewal but is only the times' best of center.

Most British politicians are now trying to crowd into the center. "The parties may not have starkly different ideologies to offer," Joe Rogaly, a Financial Times columnist, wrote the other day, "but Mr. Blair's has the advantage of freshness, something new, different where it counts, and safe."

Safe, certainly. The question is whether safety, youth and broad visions will be enough to keep him and his party ahead in the polls, as now, through an election.

The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1894: Trade Is Paralyzed

NEW YORK — The paralysis of trade is completed by the strikes. From the fruit grower on the Pacific slope, whose fruit is rotting on the trees for lack of transportation, to the manufacturer on the Atlantic, who shuts down for want of raw material, the whole country is affected. Produce is not reaching the seaboard, and the bankers are ceasing to draw the usual advance bills to be replaced by cotton drafts later on.

1919: Wilson Welcomed

NEW YORK — The transport George Washington, bringing the President home from France, was escorted by a number of naval vessels and aircraft while coming up the bay to her anchorage in Hoboken. On this side of the river, long before the President was scheduled to pass, crowds lined

Fifth avenue. All along the route the buildings were bedecked with flags. The cheering throng was so inspiring that the ovation apparently moved the President deeply.

1944: Hitler Takes Over

LONDON — [From our New York edition:] Adolf Hitler has been in urgent consultation with his top military leaders since early this week, and a Moscow report said Hitler had taken over direction of operations in the west, following the removal of Field Marshal Karl Rudolf Gerd von Rundstedt. From the German frontier came information that likened the discussions among Hitler and his military leaders to the Kaiser's famous Grand Council in August, 1918, when German leaders decided that the war could not be won but might produce an acceptable peace through prolonged, bitter fight.

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Israel Slaps Curfew on Hebron After 2 Killings in West Bank

By Clyde Haberman
New York Times Service

KIRYAT ARBA, Israeli-occupied West Bank — Israeli forces poured into this Jewish settlement outside Hebron on Friday, scuffling at times with residents enraged by the separate killings of a local teenager and of a soldier.

To forestall trouble, the army also imposed a curfew on the 100,000 Arabs in Hebron, emptying the streets of that volatile West Bank town except for military patrols and strolls through the center by some of the 450 Jews living there.

The army presence at Kiryat Arba, a stronghold of some of the most militant Israelis in the West Bank, was unusually strong. It reflected official concern that protests and even possible counterterrorism by settlers could enflame opposition to continuing peace talks with the Palestine Liberation Organization just when the government was assuring Israelis that everything was going well.

The killings also put an enormous dent in Prime Minister Yitzhak Rabin's boast several days ago that his deal with the

PLO for Palestinian self-rule had led to a sharp reduction in anti-Israel violence.

Not that Mr. Rabin said that Palestinian attacks had disappeared or that they would not recur. But any illusions that some may have had that genuine peace had arrived with the start of self-rule in the Gaza Strip and Jericho were shattered on Thursday by the drive-by shooting of a 17-year-old Kiryat Arba girl, whose father and brother were wounded in the attack. The same day, the body of Private Arich Frankenthal, 20, who had been repeatedly shot and stabbed, was found in an abandoned house in an Arab village just north of Jerusalem.

No one claimed responsibility for the attacks, but Israeli officials assumed that they were the work of Islamic militants who oppose negotiations with Israel and who had been relatively quiet, especially during the visit to Gaza and Jericho this week by Yasser Arafat, the PLO leader.

There was no condemnation or other public comment on the killings by Mr. Arafat or the PLO. But Israel's deputy defense minister, Mordechai Gur, called on the new Palestinian police force in Gaza and Jericho to crack down on radicals, warning that if they do not "impose quiet, we will feel free to act according to our needs."

Nowhere was Israeli anger greater than among the slain

girl's neighbors in Kiryat Arba, who already were in the vanguard of attempts by the far-right to bring down the prime minister, a man they have publicly reviled as a traitor and as a tacit partner with Palestinians in anti-Jewish terrorism.

"He murdered us before they are murdering us," said Guela Cohen, a former member of Parliament on the far right who lives in Kiryat Arba.

Settlers were reported to have smashed the windows of some Arab houses in Hebron, and they blocked the road between Jerusalem and Hebron with burning tires. On that road, an Israeli civilian carrying a sniper scope mounted on his automatic rifle ordered a carload of Palestinians to pull off to the side for a frisking at gunpoint and for an identity check.

At Kiryat Arba, settlers lashed out as well at the army, shouting "murderer" and "traitor" at the area commander on Thursday night and again at other officers who showed up Friday at Miss Prigal's funeral in Jerusalem.

As a protest, more than two dozen Kiryat Arba residents pushed past soldiers Friday to occupy several new apartment buildings that had been unoccupied since their completion two years ago.

After some shoving and name-calling, the army compromised by letting half of the demonstrators stay through the Jewish Sabbath.

2 Killed in British Jet Crash
Reuters

NICOSIA — A Royal Air Force Tornado F3 crashed in the sea off the Mediterranean island of Cyprus on Friday, killing its two crew members.

Priority for G-7: Rescue of Ukraine From Economic and Nuclear Perils

By William Drozdiak
Washington Post Service

NAPLES — Eight years after the world's worst nuclear accident, the leaders of the major industrial democracies are saying the time has come to shut down the Chernobyl nuclear plant and also to pull Ukraine back from the brink of economic catastrophe.

As President Bill Clinton and six other leaders opened their annual Group of Seven economic summit meeting here Friday, a need to produce a rescue package for Ukraine emerged as an undisputed priority for the United States and European allies.

"This is one issue that is beyond debate," a senior U.S. administration official said. "Emergency aid for Ukraine is something that must happen."

U.S. and European governments agree that the G-7 members should fund a \$1.8 billion program to close down the

Chernobyl plant while upgrading safety standards on three reactors still under construction.

Washington also wants to dangle \$5 billion in aid package if Ukraine carries out deep economic reforms.

It must still be resolved who would pay for such assistance. The European Union wants to share the burden equally with the United States and Japan. But the United States contends it already carries a heavy load in providing \$700 million a year to Ukraine, its fourth largest aid recipient. Japan feels it is too far removed to pay such a price to solve what it sees as a basically European problem.

France and Germany have insisted that any further delay in closing Chernobyl would be unconscionably dangerous.

"If another accident should happen, the rest of the world would have no excuse in not having acted in time to prevent what could turn out to be an even worse catastrophe than the first accident," said Anne Lavergne, an aide to President François Mitterrand of France.

After two years of making promises, the G-7 countries were goaded into action by revelations of Ukraine's plans to keep open two Chernobyl reactors and to restart a third on the ground of energy shortages.

Ukraine agreed to close the plant in 1991, but Parliament reversed that decision.

U.S. and European officials say that several meetings among the senior representatives who prepared the Naples agenda, led to an aid package that is likely to be approved Saturday by heads of government.

A U.S. official said Ukraine deserves support because of its great potential, despite an agonizing decline since the dissolution of the Soviet Union in December 1991. Economic production has fallen 40 percent in the last year.

"Ukraine will either be an important power or the sick man of Europe in the 21st century," the U.S. official said. "Either way, its fate will be critical for the future of Europe."

or social philosophy," he said. "Only the Germans have created great metaphysical systems."

Dominique Bourdin, who teaches philosophy in an underprivileged Paris suburb, said she enjoyed the recognition her expertise brought her. "My teaching colleagues are often intimidated by us," she said. "They'll come and ask us to discuss philosophical aspects of their disciplines."

The same enthusiasm is not always apparent among students, above all those studying mathematics, sciences and technical subjects.

"The course was a waste of time," said Laurent Delahaye, 18, who plans to study economics at university. "Still, perhaps it developed my critical faculties, who knows."

Mrs. Bourdin, whose students are unlikely to join the French elite, said she felt that even a couple of hours of philosophy lessons a week made a difference. "Even if they don't retain much, they have asked some questions and they know there are more questions to be asked," she said.

Karen Micmacher, 20, who will study law at university, said her only regret was that she had not begun philosophy sooner. "It has changed my whole way of thinking," she said. "I feel like it has been a voyage into the mind of Europe in the 21st century." Then, as if to stress she is now truly French, she added, "I have learned how to reason."

FRANCE: Thinking a Certain Way

Continued from Page 1

the point that a conclusion becomes irrelevant.

Indeed, such is the fascination with philosophizing — more than philosophy — that each year newspapers publish the questions asked of students in their "bac-phil" exam and invite philosophers to write their own model answers. And even years later, it seems, everyone remembers the question they answered and the mark they received in philosophy.

This cerebral and even ethereal approach to life's dilemmas in turn affects the way French society as a whole works, including politics and diplomacy. And perhaps here lies the secret to why the French and "Anglo-Saxons," as they call Americans and Britons, have so much trouble understanding each other.

"The French always go from the general to the particular," said Jack Lang, a former culture and education minister. He recalled that his "bac-phil" essay was on "happiness" and that he got 18 out of 20 points. "The Anglo-Saxons start with a concrete fact and reason from that. They call it a cat. We like to blab-blah-blah."

For Mr. Ferry, the Anglo-Saxon tradition of analytical philosophy can be summarized by the phrase: We have a problem and must find a solution.

"In contrast, in France, through Voltaire and Diderot and Rousseau, ours is more of a political

philosophy," he said. "Only the Germans have created great metaphysical systems."

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Confronted With Order, Naples Asks, Can It Last?

By Alan Cowell
New York Times Service

NAPLES — Neapolitans like to say their city is divided: The rich live up on the hill, the poor live down by the docks and the only strand that links them is the city's chaos. Now, though, there's a new and unfamiliar part, the G-7 part — a bubble of order and serenity were 5,000 police and miles of barricades have created a Naples without Neapolitans to insulate the summit from the city.

For months, armies of laborers have spruced, preened and primped the so-called red zone that stretches from the seafloor hotels to the 17th century Royal Palace, where the summit meeting of the Group of Seven leading industrialized democracies opened Friday night.

Cobbles have been laid and fountains revived. Buildings have been painted, flowers planted, roads smoothed, beaches cleaned, turf laid, all smooth and green and watered, restoring forgotten glories.

And, beholding the splendor from across the security barricades that keep them out of it, Neapolitans on Friday entwined two fairy-tales: Part of them was Dorothy, returning from Oz, to find home is pretty good after all; and part was Cinderella, wondering when midnight will chime and the coach will turn back into a pumpkin.

"Look. Business is down. But it's worth it to see the place looking so nice," said Raffaele Sanchez, slicing tomato and mozzarella at his grocery store and lunch counter on the fringes of the red zone.

"You come back on Monday, though, and it'll all be back to normal — chaos as usual."

Aldo Masullo, a leftist philosophy professor and Parliament member said: "No one can have the illusion that after this moment of euphoria we can continue in this favorable way unless firm decisions are made to create a more substantial transformation of the city. The problem will be to transform this new psychological attitude into a new reality."

The remarkable transformation of part of Naples into an elegant pedestrian precinct has intersected with another debate that has propelled the city since Italy's huge corruption scandal decapitated the city administration: Has the turning point toward better times finally arrived?

The new civic pride that has come with the G-7, said Sergio Zavoli, the executive editor of the Naples daily *Il Mattino*, "seems to signal the end of a long night."

"What will remain will not just be the decorations of a major event," he said. "The G-7 in Naples has set in motion something from which the city will not be able to turn back."

For years, Naples has slumped in a decay that Mr. Zavoli called "the other Naples, held back in mistrust and surrender."

With three million people packed into the city and its environs, a third of the work force is jobless. The health service has been wracked by the scandals of people dying unintended in hospital corridors. No one even knows how many children cut class to work in bars or the sweatshops of the illicit economy.

In the tangled alleys of the Spanish Quarter, down by the port (and outside the red zone), the mobsters of the Camorra organized crime syndicate hold sway as they always have over extortion, loan-sharking, narcotics, counterfeiting, illicit lotteries, prostitution, pornography, gambling and smuggling.

And then there is the traffic, known for two characteristics: indiscipline and snarls. The only bikers to obey the law and wear safety helmets are the police; red traffic lights, by tradition, are more a challenge to proceed than an order to halt.

The corruption scandals that have swept Italy since February 1992 reached so deeply here that the entire city administration was suspended and replaced by a special commissioner from Rome—a vicery sent to hold the line in a city that had declared itself bankrupt.

Since last year, though, something different has been bubbling through the gloom.

A new police chief, Umberto Imbrota, began dissolving corrupt local authorities. In elections last December, the city swung left and voted in Mr. Bassolino who promptly began a crusade to introduce a new notion into the way Neapolitans relate to their city. He threw open the galleries and churches for people to see, switched on the traffic lights that had fallen into disuse and sent the traffic cops back onto the streets.

Now, said Gualberto Ranieri, a former public relations executive at Fiat who moved here a few months back, "you must be careful of the old images."

"Naples is much better than its reputation," he said. For instance, he said, he had stopped at a red light and "eight out of 10 people behind me did not hoot their horns" — a modest omen, but an omen nonetheless.

The question is: will it last?

"Without the positive will of the Neapolitans, all the efforts will be useless," said the movie director Francesco Rosi. "The flowers in the flower beds will wither, the fountains will no longer tinkle, the streets will fill with holes again, the garbage will build up in the piazzas, and the traffic will paralyze the entire city."



Mr. Clinton taking time for pizza Friday. U.S. Ambassador Reginald Bartholomew, second from right, joined him.

DOLLAR: No Support for Currency in Sight as Group of Seven Leaders Open Naples Talks

Continued from Page 1

is a preference for a stronger dollar," he said.

While Mr. Murayama said he did not expect near-term stabilization in exchange rates, he did pledge during his meeting with Mr. Clinton to resume the so-called framework trade talks between the two countries.

Mr. Clinton admitted that progress so far on U.S.-Japanese trade talks was insufficient, but he said Mr. Murayama had explained to him the complexities of Japanese politics over the past year. Mr. Clinton then acknowledged that progress on the trade talks had been slowed because there had been four Japanese prime ministers in a 12-month period.

Mr. Murayama — the first Socialist to hold the office since 1948 — also told Mr. Clinton that his government would continue to reduce income taxes and would defer any rise in a consumption tax until the Japanese recovery is further long.

U.S. officials said they were encouraged by that promise.

The U.S.-Japanese meeting also resulted in a commitment by both sides to continue cooperation on security issues. The question of North Korea's suspected development of nuclear weapons was the first issue the two leaders discussed, and Mr. Murayama praised what he called Washington's "tenuous efforts" to ensure that North Korea would not proceed with weapons development.

Mr. Clinton, in ticking off his goals for this weekend's G-7 summit, said he hoped to discuss ways to develop "the telecommunications infrastructure of the new information-based global economy" along with other new trade proposals.

The U.S. proposal is that G-7 nations begin a review of practices that inhibit free trade and report back on these to next year's G-7 summit at Halifax, in Canada. Aside from telecommunications, Washington also wants to review such trade is-

ssues as intellectual property, international investment and competition policy.

The Clinton proposal to deal with trade issues that were left unresolved by the Uruguay Round of the General Agreement on Tariffs and Trade appeared Friday to be meeting resistance from European governments.

A senior European official said Friday night that "as Mr. Clinton has also said the priority should be to first ratify the GATT accord this year it is premature to go on to new issues already." He said there was reluctance to "put the cart before the horse and press on with new trade matters before GATT is ratified."

Mr. Bentzen, however, said the new trade initiative remained a U.S. goal this weekend.

Mickey Kantor, the U.S. trade representative, will discuss the U.S. initiative on Saturday with his counterparts from Japan, Germany, Italy,

Britain, and with Sir Leon Brittan, the European Union's trade commissioner.

There appeared, meanwhile, to be steady progress on the issue of providing financial aid to Ukraine to close down two remaining reactors at the Chernobyl nuclear power plant. European officials were skeptical, however, about a separate U.S. proposal to offer up to \$5 billion of multilateral aid to Ukraine to assist in economic reform programs.

The Naples summit is expected to end with a flourish of rhetoric about the need to fight record unemployment in Europe and with "an action program" for G-7 governments, aimed at creating new jobs. Summit leaders will call for noninflationary growth as the best method of setting the stage for job creation, to be complemented by moves to make labor markets more flexible.

On Sunday, G-7 leaders will meet President Boris N. Yeltsin of Russia, offering praise for

Moscow's progress in bringing down inflation, privatizing state companies, and moving steadily toward a market economy.

Other issues being discussed at the summit include attempts to partition Bosnia between Serbian and Muslim-controlled areas, the political situation in Haiti, the rise of Islamic fundamentalism and terrorism in Algeria, and the peace talks between Israel and the Palestine Liberation Organization.

HAITI: Clinton Warning

Continued from Page 1

Haitians had no right to seek asylum in the United States. "What we owe the people of Haiti is safety," he said. "There is no internationally recognized human right to go to a particular place and to have a particular response."

During the presidential election, Mr. Clinton hammered the Bush administration for its policy of returning fleeing Haitians to the country without the opportunity for a hearing about whether they would be eligible for political asylum. But before taking office, Mr. Clinton was forced to renege on his promise to lift that policy out of fear of a flood of refugees.

In May, responding to what he described as deteriorating human rights conditions in Haiti, the administration decided to resume processing of claims of political asylum aboard ships. When the flow of refugees that it had feared then materialized, the administration shifted to the safe havens policy.

President Guillermo Endara of Panama on Thursday revoked his agreement to provide a safe haven for 10,000 refugees, saying that White House had changed the terms of the arrangement on him and that he had been misled and misinformed by administration officials.

Mr. Clinton was circumspect in his comments about Mr. Endara's announcement. "The Panamanians will have to explain their own actions and their retraction of their former position," he said. "That is not for me to do."

Other officials were privately far more critical, saying that Mr. Endara had volunteered the use of Panama as a facility for the refugees and suggesting that he was backing off in the face of intense domestic pressure.

A senior official, asked whether the United States would take any steps in response to Panama's announcement, said, "We're still engaged in talking to them about the whole issue."

SUMMIT: West Gropes to Define Post-Cold War Era

Continued from Page 1

issues like the war in Bosnia has been intermittent at best. But it is the U.S. president who laid down what Western strategy there is for bringing Russia and Eastern Europe into the global free market economy and guaranteeing the peace and security of the entire region at the same time.

The challenge facing Western

leaders is as critical as the one that faced them 50 years ago, but their response has been far more sketchy and tentative than it was then.

Five years after World War II, most of the political and economic institutions that carried the West through the Cold War were in place — the alliances that bound the United States to the defense of Japan and Western Europe, the Marshall Plan, the economic and monetary agreements that underpinned the expansion of free world trade and prosperity.

But five years after the Berlin Wall collapsed, there has been no comparable concentrated effort to come up with a grand design to cope with the social unrest of remaking the Communist economies, the ethnic strains of resurgent nationalism in Eastern Europe or the increasingly competitive pressures of the global economy.

Instead the leaders of the Group of Seven have improvised and tinkered at gatherings like this one, which promises to be as inconclusive as those before it.

Last year in Tokyo, they offered a \$46 billion package of aid and debt rescheduling help to stabilize Russia's inflation-ridden economy and encourage it to keep privatizing state enterprises, which still account for 60 percent of its gross national product. About \$30 billion has been committed so far, according to economic experts.

In January in Brussels, Mr. Clinton and the NATO allies agreed to offer a Partnership for Peace between the alliance and formerly Communist countries that wanted to cooperate, a

step that disappointed Poland, Hungary, the Czech Republic and others who worry about Russia and want the security guarantees that come with full membership.

Mr. Yeltsin's government, which opposes NATO expansion, took until last month to agree to participate, and the smaller countries fear the Russians want to use the partnership only to keep them from getting in.

"Bringing new members into NATO," Mr. Clinton said in Warsaw on Thursday, "is no longer a question of whether, but when and how." But for Poles and other East European democracies, when they can join the Western club, as members of NATO or the European Union, is a key question that remains unanswered.

Chancellor Helmut Kohl of Germany also wants early membership in both for Poland and other East European countries as soon as they qualify, because Germany cannot long tolerate a security vacuum on its eastern border.

U.S. diplomats say that the German concerns will be on Mr. Clinton's mind when he visits Bonn and Berlin after the discussions here and Sunday, and that the president will repeat his assurances that expansion of NATO would not be a threat to Russia when he sees Mr. Yeltsin.

But Mr. Clinton is thought unlikely to agree to German suggestions that Mr. Yeltsin be invited to all of the meetings of the next G-7 summit meeting in Canada next year. Japan, Britain and probably France also seem unlikely to go along.

NUCLEAR: Talks Are 'Useful'

Continued from Page 1

statements from his government threatening to respond to pressure with military force, Mr. Kang said that "a common point" is that both sides want to resolve the issue through dialogue and by peaceful means.

Many U.S. officials had predicted the discussions would move slowly, and few were more than cautiously optimistic about reaching an accord. The dispute, which stems from North Korea's refusal to allow full international inspections of its nuclear-related activities, is already in its 17th month.

Mr. Gallucci, who last month argued that North Korea should be punished with economic sanctions, agreed to meet with Mr. Kang only after former President Jimmy Carter visited the North Korean capital of Pyongyang and emerged with a promise that partial inspections would go forward while the overall nuclear program remained frozen.

The meeting Friday gave Mr. Gallucci an opportunity to do what some of the administration's critics have urged for the last six months, namely provide details of the rewards North Korea can count on if it abandoned its nuclear activities.

These include carefully phased moves toward a normalization of relations with Washington, which currently lacks any diplomatic links with North Korea. They also include a U.S. pledge of nonaggression and assistance in replacing North Korea's existing and planned nuclear reactors.

Continued from Page 1

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AMERICAN TOPICS

When Married Names Stick Even After Divorce

Divorced women often retain their married names because of social dictates and to spare their children from the confusion of having parents with two different names, but many women in the work force now hold on to old names for professional, rather than familial, continuity, Aimee Miller notes in *The Washington Post*.

Think of Betty Friedan, founder of the National Organization of Women; Lynn Martin, former U.S. secretary of labor; the author Erica Jong and the neoconservative writer Midge Decter. All of them are well-known names. And all of their names originally belonged to men no longer their husbands.

Ivana Trump and Frances Lear have found that a former husband's famous name keeps them in the spotlight. Who, after all, would recognize Ivana Zelniczek?

And of course, a growing number of women avoid the whole problem by retaining their maiden names when they marry.

Short Takes

A lifelong resident of North Providence, Rhode Island, was killed by a shotgun blast to the head and his longtime next-door neighbor was charged with murder. The apparent source of the dispute, neighbors said, was the 6-foot (2-meter) hedge separating their property. The body of Ronald Volpe, 39, was found face down in his hedges, pruning shears and a step ladder nearby. James Gallagher, 35, was arrested and held without bail. Neighbors said the two men began a quiet feud at least three years ago, when Mr. Gallagher pruned the hedges all the way down to the branches. Mr. Volpe's father had planted the hedges years before.

The beatification of the Reverend Joseph Damien De Veuster has been postponed until next year because a broken leg suffered by Pope John Paul II prevented him from attending the ceremony this year in Father Damien's native Belgium. Father Damien spent most of his life ministering to leprosy patients at Kalapapa, Molokai, in the Hawaiian Islands, more than 100 years ago.

King Alfred the Great of England, remembered by generations of schoolchildren as King Alfred of the Cakes, will not grace the logo of Alfred University in Alfred, New York, after all.

After spending two years and \$21,000, university officials proposed the royal silhouette but ran up against opposition from faculty members and students. Thirty-two of 197 faculty members signed a protest petition.

Elizabeth Kuranz, a ceramics engineering student, said Alfred "was the head of a form of government that is inherently repressive." In a memorandum to faculty and students, Edward G. Col Jr., the university president, wrote, "O.K., I give up."

Donna Hanover Galliani, wife of New York's Mayor Rudolph W. Giuliani, is a former television news anchor, and she continues to anchor on the Television Food Network.

But she frequently works in radio. "I enjoy radio," she says, "because you can do it without makeup."

Richard Schmitter, a New York Times reader, spotted this message chalked on a driveway between two dwellings in the suburb of Dobbs Ferry, New York: "Mommy, I hate you. Love, Ashley."

ART

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Room at the Top for the Truly Rare

LONDON — As its substance gradually but inexorably thins out, the art market is undergoing a sea change that will soon affect its structure. For now, it is the price scale that is changing. At the top, awareness that little is left worth fighting over on a big scale exacerbates competition

SOURIN MELIKIAN

almost to hysteria. This week, within 24 hours, three extraordinary prices were paid, all of them world records, that would have seemed unthinkable even at the height of the artificially whipped-up market of the late 1980s.

The most spectacular by far is the £7,701,500 (\$11.86 million) paid at Christie's on Wednesday for an Assyrian gray stone slab carved in low relief under King Ashurnasirpal II (883-859 B.C.). It comes from the most famous site of ancient Assyria, the king's palace near present-day Nimrud on the southern edge of Iraqi Kurdistan. The palace was savaged in the mid-19th century by Sir Henry Layard who used an army of peasants wielding picks and shovels to cart away as many of the huge reliefs and three-dimensional statues as he could remove.

In the press, Layard lost quite a few, which sank to the bottom of the Tigris. Those that arrived in Britain were handed over to Sir John Guest, who had put up the money for the art-hunting expedition. They were set up in a folly designed in 1851 by the architect Charles Barry on the grounds of Guest's house, Canford Manor. Layard married Guest's daughter and died surrounded by an aura of glory. In 1919, Guest's grandson, Lord Wimborne, sold off most of the sculptures.

Some, acquired by John D. Rockefeller, grace the Assyrian room in the Metropolitan Museum; others are in the British Museum. A few strayed in various directions and a handful stayed on in "Nineveh Court," which was turned into a candy shop for the children when Canford Manor became Canford School in 1923.

When the governors of the school decided to sell off seven remaining reliefs at Sotheby's, on Nov. 16, 1993, there was great interest among the small number of connoisseurs involved in those days, but no wind of madness. John Hewitt, a dealer, got one of the finest reliefs for \$4,000.



Assyrian relief from the palace of Ashurnasirpal II went for a record £7.7 million.

Twenty years later, things had changed. Museums had mushroomed, there were now more collectors, and goods were scarcer. A winged deity 119 by 133 centimeters (47 by 52 inches), offered at Sotheby's on Dec. 4, 1979, stunned the world at £264,000, while a standing eagle-headed deity went for £95,000.

The £264,000 relief is most closely comparable, commercially, to the £7.7 million relief sold at Christie's, which measures 183 by 117 centimeters. It is smaller, but unlike the relief that brought the record on Wednesday, of which the lower section is missing, it can be seen as a complete figure. Even conceding that Wednesday's fragment may be more desirable for its sense of movement, the difference in price is vast.

CLOSER in time to us by 2,000 years, another object of even greater rarity than the Assyrian reliefs provides a measure of the current sense of urgency when an opportunity to buy something extraordinary arises. The carved narwhal horn of the 12th century, which was sold at Christie's on Tuesday for \$441,500, is a deeply mysterious object. It must have been seen as such when it was carved with its beautiful Romanesque motifs almost all the way up its 114 centimeters.

In the Middle Ages, the horn of this small arctic whale was avidly sought after from Constantinople and the Arab world to Scandinavia. In Europe, it was thought of as the horn of

the unicorn, which in turn was considered a symbol of Christ. Horns were kept in church treasuries, mostly undecorated. The Christie's horn, and a closely related piece in the Victoria & Albert Museum are the only known horns to display such intricate, highly sophisticated decoration.

The added attractions of the Christie's horn are that it is in better condition — it could be characterized as pristine for an object of that age — and that it was virtually unknown until it was reproduced in Christie's sale catalogue. It was bought for £12 by the vendor's father in 1957, as part of a bundle of walking sticks during the sale of the contents of a house in the Cathedral Close at Hereford. Little else is known about it, or indeed about the Victoria & Albert horn.

Their destination is a matter for speculation. Where the two horns were carved is equally uncertain. In the 1950s they were considered to be German, from the Rhenish area. Now they are called English.

The surprise effect played a role in its huge price, but so did, above all, the near impossibility nowadays of finding major Romanesque ivory or bone carvings, let alone one of that size and splendor. In the 1950s, it might have reached, with great difficulty, £1,000 or so in one of the better auctions. Like the Assyrian reliefs, the horn was propelled to stratospheric heights by the current atmosphere of feverish competition between museums and

its secondary effect on high-powered collectors.

Because it did not concern a major museum work, the most telling record this week was probably the \$4,181,500 paid on Wednesday at Sotheby's for a painting considered to be by Albrecht Dürer.

It is a strange picture. In a landscape of Netherlandish appearance, exotic animals are strewn about — a camel stands rather improbably at the entrance of a North European forest, an elephant is seen trotting on a hillside in the distance, and so on. Two leopard cubs seem to have been dropped out of nowhere right in the foreground. These closely resemble two cubs in a painting done in 1639 by Dürer's father, Jacob Gernert, who was also his master. The catalogue concludes that the leopard, although not the other animals nor the landscape, are the father's work.

This makes it a hybrid. The picture is very well painted and curious, hardly an unforgettable masterpiece. Furious competition between a syndicate of four dealers — Johnny Van Haelst of London, Konrad Bernheimer of Munich, Otto Naumann of New York, and Tim Bathurst of Arnhem, London — outbidding Richard Greene of London, resulted in the current record for any painting whether partly or entirely by Albrecht Dürer.

The same feverish atmosphere can just as easily lead to overestimation and overkill. The combination of the two

proved the undoing of the "Immaculate Conception," offered at Sotheby's minutes after the Cyp.

The portrait of Mary standing on the moon globe was bought at Drouot on June 22, 1990, by the Paris dealer Charles Bailly. The expert Eric Turquin, noting its close resemblance to the master's painting in the National Gallery, London, catalogued it as "from the circle of Diego Velázquez" and gave it a 300,000 to 400,000 franc (\$55,000 to \$75,000) estimate. Bailly, convinced it was a Velázquez, battled against the London trade and bid up to 18 million francs to get it.

The dealer then organized a fantastic publicity drive around his picture and consigned it to Sotheby's. The auction house, going along with his conviction that it is a Velázquez, gave it an estimate of \$3.5 million to \$4 million (\$5.4 million to \$6.15 million).

Unfortunately, not everyone shared this conviction. Clearly not the Louvre, whose curators gave it an export license, nor Alfonso Pérez Sánchez, a former Prado director, who sees it as the work of Alonso Cano.

The room sat stone-faced as mythical bids were called out. They stopped at \$4 million, leaving the picture unsold. It is now commercially dead for quite awhile.

Throughout the week dozens of cases of overestimation, generated by penny, wrought havoc. More than 40 percent of the European works of art offered at Sotheby's on Thursday, and almost 40 percent of the antiquities up for sale at Christie's on Wednesday were unsold. Some urgent rethinking is needed if a crisis is to be avoided.

Iraqi Protests Sale

The Iraqi government says the Assyrian relief was, in effect, stolen from what is now Iraq and condemned the British government for allowing Christie's to sell it. Reuters reported from Baghdad.

A spokesman of the Cultural and Information Ministry said that Iraq had tried in vain to block the sale and that it would use all legal means to recover it. "This auction reflects the deplorable and degrading situation in Iraq dealing with human culture and civilization in Britain and particularly the West," the spokesman said.

Last week I wrote that the small self-portrait by Degas was sold after the sale. It actually sold at the low estimate during the sale. —S.M.

Kitaj, Self-Explanatory

Tate Launches Retrospective of American's Work

By Claire Frankel

LONDON — R. B. Kitaj's long-anticipated retrospective has opened at the Tate with 115 paintings, drawings and pastels in the space just vacated by Picasso.

Kitaj has always been controversial in Britain's art establishment, congenitally resistant to modernity. As this massive show he has offered more ammunition to his critics by daring to write captions to his sometimes enigmatic pictures, explanatory snippets taken from his catalogue text.

There is no compulsion on the visitor to read these clues (the Tate Gallery began captioning its collections in 1990), any more than there is to buy a catalogue. But if further information is wanted on these autobiographical and allegorical works, what could be better than the horse's mouth?

"Ceil Court, London WC2 (The Refugees)" is one of more than 50 cases in point. A cross-cross of energetic people is sitting, lying, standing, sweeping, loving, commanding, in a sort of faceless alleyway. This is a dynamic painting, intriguing in its ordered chaos. But what's the point?

Painted 10 years ago, this is an indispensable piece of Kitaj's awakened Jewish consciousness ("obsession" he calls it) which began in the 1970s. Here he alludes to Yiddish theater actors known by Kitaj's grandparents, and, probably more important, documented by Kafka. In this West London lane on Kitaj's book-searching boat, character actors are juxtaposed. The artist lingers in his wedding clothes in the foreground, trying to decode all the elements of the puzzle, fully aware of the variegated nature of his life.

It began uneasily 62 years ago in Cleveland. His father, Sigmund Benway, ran away to California when the baby was only 2. "He was a loser, a gambler, a poor guy who was probably too embarrassed to look me up and died in the late '40s in L.A." In 1941 his school-teacher mother married "a wonderful guy named Walter Kitaj whom I loved."

MOVING to Troy, New York, Kitaj recalls vividly the overwhelming experience of visiting the Museum of Modern Art in New York City as a kid and seeing Picasso's "Guernica."

"You know something is going on... war, violence. But there was a plaque telling about the little Basque village, the fascist bombing, Picasso's rage and excitement" and it all became much more meaningful.

After a stint as a merchant seaman in the late '40s, he worked on oil tankers in the Caribbean, attended art schools in New York and Vienna and traveled in Europe. In 1955 he began a two-year stretch in the U.S. Army,



"The Ohio Gang" (1964), in Kitaj retrospective.

then continued his art studies at Oxford's Ruskin School, where he was "stunned for life" by the Raphael and Michelangelo drawings at the Ashmolean. By 1959, in London, he had entered the Royal College of Art, where he met his long-term friend David Hockney. A Marlborough Gallery exhibition three years later put him on the map.

Kitaj calls "The Ohio Gang," painted in 1964, a "very late Surrealist picture... and its consciousness (or mine) is still streaming." The gang is his own Ohio Gang. A nude woman sits on a contemporary Eames-like chair focusing on one of her two suitors while her long-suffering, bare-breasted, black maid fingers a cascading yellow ribbon. This alludes to John Ford's film "She Wore a Yellow Ribbon" in which the woman commits herself to one of the men without identifying him.

In 1983, Kitaj visited the director and painted "John Ford on His Deathbed," a striking ode to his favorite director filled with "corny ghosts" from Ford's heroic films.

"My Cities," 1990-93, depicts the three stages of Kitaj's upright youth wearing only a cap, slightly stooped middle age, and, finally, white-haired, aged. Underneath these caricatured prototypes, a baseball dugout encloses the drawn figures of his "demons."

Kitaj's paintings are complex ruminations, involved in 25 his personal and passionate interests: politics and literature, sex and the human condition, frailty, love and death. These are not easily read water lilies, still-lives or the revelatory detail of a Lucian Freud made, but figurative evocations of his dybbuks within and without, inevitably, sometimes embarrassingly, caricatured-vic.

R.B. Kitaj at the Tate until Sept. 4, then the Los Angeles County Museum Oct. 23-Jan. 8, and the Metropolitan in New York Feb. 15-May 14. Print retrospective at the Victoria and Albert until Oct. 9.

Claire Frankel is an American journalist who lives in London.

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ART

Revelations of Color in Joan Mitchell's Paintings

By Michael Gibson
International Herald Tribune

PARIS — Joan Mitchell died in Paris more than a year and a half ago. She had been living in Vetheuil since 1967, in a house splendidly situated on a cliff overlooking a bend in the Seine (the gardener's house below had once been used by Monet).

Like many true artists, she was a contradictory and solitary figure and her large, vigorous paintings are both an expression and a trace of her dialogue or running argument with existence. An exhibition of Mitchell's late work at the Musée du Jeu de Paume in Paris (through Sept. 11) and another of earlier work at the Musée des Beaux-Arts in Nantes (through Sept. 26) reveal the power and range of which she was capable and remind one that she was among the truly outstanding painters of her generation.

Mitchell (1926-1992) grew up in Chicago. Her mother was a poet; her father, a prominent dermatologist, was once blindfolded by the mob and taken out to minister to Al Capone's syphilis.

Her grandfather, an engineer, built a number of bridges in Chicago, and it was thanks to the money he left her,

which she called her "bridge money," that Mitchell was able to buy the house she lived in to the last.

She first came to France on a grant in 1947, arriving at Le Havre on a liberty ship among the blackened hulks left over from the war. At 21, she was a pretty, energetic and outspoken young woman — the latter trait developing noticeably in later years. An admiring critic once described her as "disconcertingly forthright."

Returning to America two years later, she settled in New York, where she underwent analysis, met such artists as Franz Kline and Willem de Kooning and, in her own words, "found her life." These artists, and the New York scene, provided her with the criteria that were to shape her life work.

Six years later, she nonetheless returned to France where she met the French-Canadian painter Jean-Paul Riopelle, another powerful artist and a larger-than-life figure with whom she lived until 1979. Riopelle moved back to Canada, where he now lives and works in the wilds, having grown the tremendous white thatch of hair and beard of a prehistoric Santa Claus.

Mitchell stayed on in Vetheuil with the Malinois dogs that were her dear-

est companions. She was frequently in Paris, but she was too independent and contrary really to enjoy the social side of the art scene.

The rest is painting. Most of the time the works are gloriously satisfying. Sometimes, although

Mitchell was allergic to labels and generally objected to being defined in terms of schools and trends.

rarely, they fail to jell — organizing color on canvas in such a scattered and allusive manner is, after all, a risky business.

What the spectator sees is above all a conjunction of luminous colors, which some are tempted to view as "abstract," but which others, following occasional hints from the artist herself, sense as transposed evocations of nature.

Mitchell was allergic to labels and generally objected to being defined in terms of schools and trends.

Some critics described her as an Abstract Impressionist (a term she deeply hated), seizing upon the fact that she was living on Monet's turf.

Yet, in a sense, there is something to be said in favor of the term — provided one avoids any actual assimilation with the ideas of Impressionism. After all, as Mitchell pointed out, Monet ventured to render nature with a new sort of visual accuracy.

Mitchell certainly did not attempt anything like that. But her colors (green, yellow, blue, or red), set together in broad, gloriously erratic brushstrokes, speak out in harmony like so many rich instrumental tones, and seem to have been borrowed from the same natural setting that inspired the Impressionists. The big diptychs appear to confront one with the close-up, verdant intimacy of grass, leaf and varicolored petal, vibrating in the warming light of the sun.

All art thrives on ambiguity, and Mitchell was quite right to reject any obvious classification. Even the evocation of nature I have just suggested would fail to be convincing if it were merely that and no more.

But the formal ambiguity of her painterly undertaking keeps one's perception oscillating between this

sort of "naturalistic" interpretation, a more formal one (various oil colors arranged on a painted surface), and an understanding of her art as a sort of calligraphic or seismographic expression of the artist's own psyche or sensibility.

This triangular reference between nature, surface and soul keeps the viewer's perception oscillating restlessly from one to the other without allowing it to settle definitely on any one of them.

Mitchell used the rich seduction of color to awaken a sense of nostalgia that appears to touch upon the perspectives of life and death.

The last time we met she mentioned sitting out on the lawn in front of the studio one day enjoying the sun with her dogs.

The three of them were communing in a deep, wordless well-being when Mitchell noticed that a snake had coiled itself over her foot. She was not at all alarmed but regarded the presence of the snake as a sign of sorts.

This moment of truce in the height of summer may stand as an appropriate metaphor of a successful painting in which life and death appear to commune in the brief ecstasy of the moment.



Joan Mitchell's "Tilleul" (1978) in Nantes exhibition.

Life in a Dollhouse: A Collector's Dream

By Rita Reif
New York Times Service

NEW YORK — A chair as small as a thimble, a highboy a mere yard high or a Chihuahua-size bed may look silly individually, but a crowd of these Lilliputian delights makes it clear why some collectors pursue them so obsessively.

Tiny trifles may trigger a rocket back to childhood for unsuspecting adults. And, once seduced into buying a mini-chest, a mini-chair or a mini-desk, people tend to treat these adult toys like sculpture, displaying them on shelves or as end tables. No one ever admits it, but most people yearn at one time or another to live in a dollhouse.

Was this the secret reason that Philip Parker, a London dealer who died in 1983, collected so many miniatures? The Parker collection of 30 period pieces became the largest recent popularity test of such things when it was auctioned at Sotheby's in New York.

Not since 1980 had so many small-scale period chairs, chests and tables been auctioned at one time. While of medium quality — only 21 were sold, 10 at prices below Sotheby's expectations — the Parker holdings included some charmers. In addition to an unusual assortment of tilt-top, gateleg, drop-leaf and tavern tables, there were chests of drawers, desks, a four-poster bed, a corner cabinet and a step ladder, along with chairs in the Jacobean, Regency, Windsor and Chippendale styles.

Although connoisseurs probably prefer to concentrate on miniatures of masterpieces, anywhere from one-tenth to one-half the size of the originals, other collectors, apt for the oddity with offbeat proportions. The quirkier miniatures include tables from six inches to a foot high with fat legs and feet as thick as hockey pucks; chairs with soaring backs, overly wide seats and elaborately scrolled arms, and chests so top-heavy with pediments and finials that the legs appear to be buckling.

BOOKS

THE CROSSING: The Border Trilogy, Volume II

By Cormac McCarthy. 426 pages. \$23. Alfred A. Knopf.

Reviewed by Michiko Kakutani

THOUGH it's billed as Volume II of "The Border Trilogy," Cormac McCarthy's latest novel, "The Crossing," is less a sequel to his award-winning book "All the Pretty Horses" (1992) than a loose variation on its themes of loss, exile, violence and fate.

Once again, McCarthy gives us the story of two resourceful boys who leave their home in the States and make the dangerous crossing into Mexico. And once again, their crossing becomes a kind of metaphor for the emotional traversing of borders between civilization and nature, order and chaos.

In his earlier books, McCarthy's debt to Faulkner — in terms of both language and violent subject matter — has been ferociously clear.

In "The Crossing," that debt has not only been pushed to the point of parody, but it has also been ornamented with gratuitous borrowings from Cervantes, Hemingway, Gabriel Garcia Marquez, Larry McMurtry and John Ford westerns. Although the novel achieves isolated moments of emotional grandeur, the overall result is not a mythic, postmodernist masterpiece, but a hodge-podge of a book that is derivative, sentimental and pretentious all at once.

The first portion of "The Crossing" reads like a sophisticated retelling of the Faulkner classic "The Bear." This time, the teenage boy, who is to embark on a rite of passage, is named Billy Parham and the symbol of the wilderness is a she-wolf, instead of a bear.

Sent by his father to trap a wolf that has been killing cattle on his family's New Mexico ranch, Billy catches the animal, then impulsively decides to re-

turn it to its home in the Mexican hills. He muzzles the wolf, puts a collar and leash around its neck, and sets off for the border.

When the wolf meets an unfortunate and violent end, Billy closes his eyes and imagines her in heaven, imagines "deer and hare and dove and groundvole all richly empaneled on the air for her delight, all nations of the possible world ordained by God of which she was one among and not separate from."

Though this is touching, it ultimately diminishes and sentimentalizes Faulkner's fierce, uncompromising vision of nature.

Having buried the wolf, Billy makes the long trip home, only to discover that horse thieves have killed his mother and father. Once again Billy saddles up his horse and, accompanied by his younger brother Boyd, he sets off again to retrieve his family's stolen horses.

A series of picturesque adventures ensue, in which Billy and Boyd meet up with a succession of gypsies, bandits, ranchers and peasants. Some of these strangers are kind, and some of them are cruel, threatening to kill, maim or hurt the boys. Their mission will culminate in a long, perilous journey, reminiscent of Captain Call's final pilgrimage at the end of Larry McMurtry's "Lonesome Dove."

However different their circumstances, almost all these people speak in the same portentous, prophetic terms. McCarthy's own prose, particularly in the first half of the book, is similarly heavy, announcing its own significance and the significance of the author's intent.

Toward the end of "The Crossing," this mannered writing gradually gives way to less pretentious prose, as McCarthy begins to allow the drama of Billy's story to take over. This shift in style serves no discernible purpose, however, and it makes for a disjointed, inorganic book.

Michiko Kakutani is on the staff of The New York Times.



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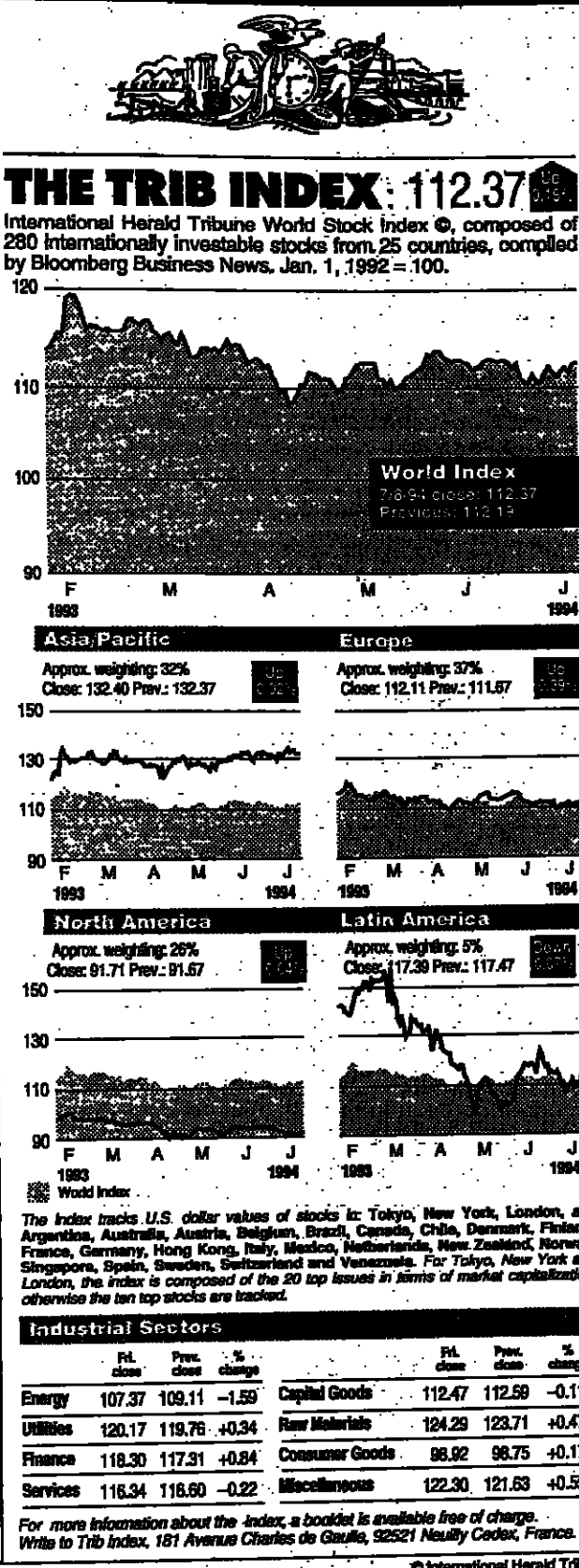


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Fokker To Get A Bailout

Dutch and DASA Reach Aid Plan

Compiled by Our Staff From Dispatches

AMSTERDAM — The Dutch government and Deutsche Aerospace AG have agreed on a financial rescue package of about 1 billion guilders (\$565 million) for Fokker NV.

In a letter to the Parliament, Koos Andriessen, the economic minister, said Friday that a number of measures had been agreed with Deutsche Aerospace to strengthen Fokker's financial position.

"It is clear that the situation at Fokker requires a wide number of measures whereby all parties involved will have to make an effort," Mr. Andriessen said.

The aircraft maker, which posted a loss of 460 million guilders last year, has said it did not expect to turn a profit until at least 1996. Fokker now has about 9,000 workers, mostly in the Netherlands, after a global downturn in the aviation industry forced it to cut its work force by 20 percent this year.

The government owns about 16 percent of the company, while Deutsche Aerospace, a unit of Daimler-Benz AG, owns 51 percent.

The bailout consists of a combination of capital injections, sale-and-leaseback transactions for Fokker's aircraft technology and the setting up of a joint commercial lease company between Deutsche Aerospace and Fokker.

Fokker said the package would substantially improve the company's finances.

Mr. Andriessen said Deutsche Aerospace agreed to participate "considerably," but a company spokesman said from Munich that "details have yet to be worked out."

(Bloomberg, AFP)

REITs Go to Wall Street

Real Estate Finds Niche in the Market

By Laurence Zuckerman
New York Times Service

NEW YORK — The \$3 trillion commercial real estate industry in the United States is being transformed from a collection of secretive, family-dominated fields into public companies beholden to thousands of shareholders.

Many investors and property managers say the change heralds an era in which real estate companies will have to answer to Wall Street — opening the books, devising plans for growth and living up to them.

The companies also will have a lot more money to maintain their properties and acquire other buildings. Some analysts said the kind of overbuilding that characterized the property business in the 1980s would be less likely.

In the past 18 months, more than 75 real estate businesses have started to offer stock on U.S. exchanges.

In the same period, companies owning everything from apartment buildings and outlet malls to office towers have raised more than \$25 billion on Wall Street — as much as had been raised in the previous seven years.

Yet \$25 billion is only a small beginning, some experts say. They estimate that the value of publicly owned property companies, many of which take the form of real estate investment trusts, could rise by 10 times or more in the next decade.

"This could be the thousand-year flood for real estate in this country," said Richard Rainwater, a Texas financier who has staked both his reputation and a large hunk of his fortune on the success of a property company, Crescent Real Estate Equities, that began trading on the New York Stock Exchange in April.

Property owners and investment bankers profit handsomely from taking companies public, said H. Dale Hemmerdinger, president of Atco Property and Management, a commercial property company in New York City, even while the properties these companies own are still hardly profitable.

Behind the change is a desperate shortage of money.

After property prices plunged in the late 1980s, the savings and loan institutions, commercial banks, limited partnerships and insurance companies that financed the real estate boom of the previous decade were saddled with billions of dollars of bad loans. Many stopped lending to property owners.

What rescued many owners was the rediscovery of a moribund financial vehicle creat-

Property companies increasingly will have to answer to stockholders — opening the books, devising plans for growth and living up to them.

ed by Congress in 1960: the real estate investment trust. Intended to give small investors a chance to invest in real estate, the trusts, known as REITs, are exempt from corporate income taxes. In exchange, they must distribute 95 percent of their net income to shareholders as dividends.

When interest rates fell in the early 1990s, the dividends paid by the trusts — currently averaging about 7 percent — appealed to investors. The resurgence of trusts in late 1991 gave some of Wall Street's savviest investors the idea of buying nearly bankrupt properties from insurers, banks and the government.

Rather than liquidate their holdings at steep discounts, many debt-saddled real estate managers decided to offer shares to the public. In the last three years, real estate investment trusts have outperformed the Standard & Poor's index of 500 stocks.

China's Stock Sales Indicate Foreign Investors Are Wary

By Kevin Murphy
International Herald Tribune

HONG KONG — China's experiment in bringing its large state enterprises to the stock market stumbled Friday amid signs of growing wariness among foreign investors.

Shares in Luoyang Glass Co., the first company in a second batch of 22 Chinese enterprises cleared by Beijing to sell their stock abroad, closed 20 percent lower than their initial listing price of 3.65 Hong Kong dollars (47 cents) a share.

At the same time, reports emerged of a rift between Shanghai Haixing Shipping and Morgan Grenfell Asia Ltd., the merchant bank bringing the company's shares to market, over the price Shanghai Haixing could realistically expect from a four market.

But in the debate, fund managers and analysts saw signs that the market for Chinese shares was entering a more mature stage with lower but more realistic expectations for future offers arising as a result.

"If this issue had come six months ago, it would have been up 20 percent instead," said Nick Moakes, an analyst with S.G. Warburg Securities, of Luoyang Glass. "What people are doing at last is looking closely at the merits of individual companies."

During last year's bull run in Asian equity markets, China's first group of companies to be listed in Hong Kong triggered a scramble among investors that strained Hong Kong's banking system and pushed share prices to premiums.

But after strong starts, most of China's H-shares, as the securities traded in Hong Kong are dubbed, have cooled, dampening international demand for



foreigners only, B-shares, have also performed poorly as early euphoria about their creation has given way to doubts about individual companies' business plans and future profitability.

Difficulties on all fronts have confronted Chinese securities regulators with a host of unpalatable alternatives from accelerating the opening of its markets to foreign investment — with an inevitable loss of control over individual companies — to raising less cash from the sale of state assets.

In an attempt to comply with investor demand, lead underwriter Morgan Grenfell has requested coastal shipper Shanghai Haixing to lower its opening share price to a level that has been rejected by China's State Administration of State Properties.

Chinese regulations do not permit any company to issue shares at a price that falls below its estimated net asset value, according to an administration spokesman quoted by Bloomberg Business News.

"We estimate the net asset value at about 1.4 yuan, and their offer fell below this," said the spokeswoman whose organization supervises the sale of state-owned enterprises.

Morgan Grenfell, which had planned to price the issue on Thursday, said negotiations were continuing with the Chinese authorities.

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U.S. Jobs Data Depict Strength In Economy

By Lawrence Malkin
International Herald Tribune

NEW YORK — Signaling a robust U.S. economy, the government on Friday reported strong job growth in June without wage inflation.

The news, which raised expectations in the financial markets that the Federal Reserve Board would push U.S. interest rates up sooner rather than later, sent bond prices tumbling but failed to rouse the dollar out of its slump.

The Labor Department reported that the U.S. economy created 379,000 new jobs in June, around 100,000 more than forecasters had expected. Labor Department specialists warned that most of those extra jobs probably would be given back this month, as the June survey had an extra week in it because of calendar quirks.

That would keep the growth on a track of about a quarter of a million jobs a month, almost entirely in the service sector and many in part-time or temporary summer employment — including thousands hired to handle World Cup visitors. These summer jobs helped depress wages, and June's average hourly earnings actually declined one cent, to \$11.08, while the work week declined one-tenth of an hour, to 42 hours.

In Naples, leaders of the Group of Seven industrialized nations were gathering for their summit meeting seemed content to urge markets to "keep focusing on the fundamentals," as President Bill Clinton put it. Meanwhile, Lloyd Bentsen, the U.S. Treasury secretary, said he saw no need for higher interest rates "at this point."

The monthly employment numbers were strong enough to convince most of Wall Street that the Fed would raise interest rates eventually but not now, "when the G-7 is having a meeting and just this sort of thing is

being discussed," said Allan Sinai of Lehman Brothers.

The unemployment rate remained stable at 6 percent, which many economists take as the minimum level before inflation starts kicking in. But the rate remained low in large part because the labor force has declined by 419,000 since the start of the year — when demographic forecasts say it actually should have gone up by 700,000.

There is no explanation for these missing workers. But if

See JOBS, Page 10

Metals Giant Continues Loss On U.S. Unit

Bloomberg Business News

FRANKFURT — Metallgesellschaft AG, still reeling from losses at its U.S. oil-trading unit, recorded a loss of 1.54 billion Deutsche marks (\$970 million) for the first half of its financial year.

The metals and mining company said it would have reported a profit for the six months ended March 30 but for the U.S. subsidiary, Metallgesellschaft Corp. Because of that unit's losses, Metallgesellschaft reached the brink of bankruptcy in late 1993.

For the full year, Metallgesellschaft forecast a loss of about 1.9 billion DM, unchanged from the previous year. That means that in the second half the company will record another loss of more than 300 million marks that cannot be blamed on U.S. operations.

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MARKET DIARY

Blue-Chips Rise
As Fed Stands Still

Compiled by Our Staff From Dispatches
NEW YORK — Blue-chip stocks climbed for the fifth straight session Friday after the Federal Reserve failed to raise interest rates despite a stronger-than-expected June employment report.

The Dow Jones industrial average closed 20.72 points higher

at 3,709.14. In the broader market, however, there were six losers for every five gainers.

Although the Fed did not raise the interest rates that it controls after the strong jobs report, concern over the rising general level of rates weighed on the broader market and on the bond market.

A spurt in the price of Alcoa after release of the company's second-quarter results, plus buying of other cyclical stocks, helped boost the Dow Jones industrial average back above 3,700.

Bond traders, however, bailed out of the market immediately after the employment figures were released.

Prices of all maturities of U.S. Treasury notes and bonds remained lower, with the 30-year issue off \$8.75 for each \$1,000 of face value, driving its yield up to 7.69 percent from 7.60 percent late Thursday.

Trading was moderate, with 233.6 million shares changing hands by the close of trading on the Big Board, compared with 258.5 million in the previous session.

The NYSE's composite index advanced 0.54 to 248.11. The Nasdaq index was up 0.44 to 706.97. At the American Stock Exchange, the Market Value Index was 0.80 higher at 425.45.

Nike shares touched a 52-week high of 62 1/2 after the world's largest athletic shoe company reported better-than-expected fourth-quarter earnings. The shares closed at 62 1/4, on volume of 674,200 shares, almost triple its three-month daily average.

(AP, Reuters)

U.S. Stocks

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(AP, Reuters)

JOBS: Data Show Strong Economy

Continued From Page 9
they show up later in the statistics as job-seekers, they will raise the unemployment rate and relieve the Fed's inflationary fears.

These aberrations in both the job-creation and unemployment statistics are among the

Foreign Exchange
factors thought to be keeping the Fed temporarily on hold. There is a wide spectrum of opinion on Wall Street about when the central bank will actually tighten, ranging from next week, when strong retail sales figures for June are expected, to as late as September.

Markets already had begun driving up rates with Friday's report. Yields on 30-year Treasury bonds rose to 7.69 percent, the highest since Nov. 9, 1992.

Since the start of the year, the Fed has raised rates a total of 1.25 percentage points in increments of one-quarter of a percentage point to try to stay ahead of inflation.

None of this helped the dollar on Friday. It took another sharp dip when Mr. Clinton told the press in Naples that

things could be worse — that the dollar had been lower against the Deutsche mark in the past and would rebound in due course.

The dollar closed at 1.5610 Deutsche marks in New York trading, down from 1.5716 DM on Thursday. It also was down to 98.055 yen from 98.600 yen, to 1.3160 Swiss francs from 1.3235 and to 3.5650 French francs from 3.5405. The pound was at \$1.5495, up from \$1.5405.

But a dollar rebound seemed to be the growing view in New York, although traders, in typical fashion, also rushed to cover their positions. Sam Kahan of Fuji Securities said Wall Street had begun to accept that the dollar was not in real trouble, as it was actually getting stronger against the currencies of such major U.S. trading partners as Mexico and Canada.

The Group of Seven will act wisely if it rides out the storm, said David Rolley, international economist at DRI/McGraw-Hill. "The higher our long bond rates go, the more attractive the dollar will become," he said.

"Traders may be dollar bears today, but at some point people will see they can earn 8 percent on their dollars, and somebody will make a decision to go the other way. Maybe the catalyst will be a political change in Japan."

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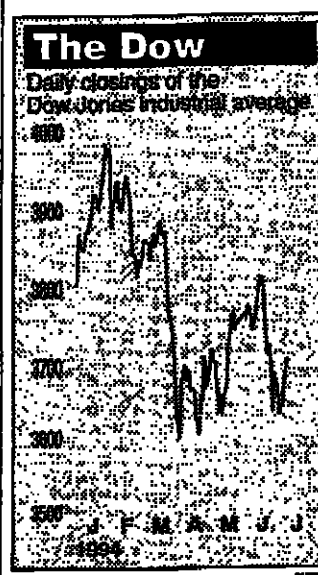
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Via Associated Press July 8



NYSE Most Active

Vol.	High	Low	Last	Chg.
Ford	42.50	42.00	42.00	-1/8
IBM	100.00	99.50	99.50	-1/4
Microsoft	55.00	54.50	54.50	-1/8
Oracle	45.00	44.50	44.50	-1/8
Wells Fargo	25.00	24.50	24.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
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NASDAQ Most Active

Vol.	High	Low	Last	Chg.
Intel	40.00	39.50	39.50	-1/8
Microsoft	55.00	54.50	54.50	-1/8
Oracle	45.00	44.50	44.50	-1/8
Wells Fargo	25.00	24.50	24.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
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Wendell	15.00	14.50	14.50	-1/8
Wendell	15.00	14.50	14.50	-1/8

AMEX Most Active

Vol.	High	Low	Last	Chg.
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8
AMEX	10.00	9.50	9.50	-1/8

Market Sales

NYSE	AMEX	NYSE	AMEX
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6
233.6	233.6	233.6	233.6

BONDS: G-7 Officials Stand Pat

Continued From Page 9
of good news to hold onto their bonds much less soak up new issues.

When the new year brought bad news in the form of increases by the Federal Reserve Board in U.S. short-term interest rates, investors dumped their bonds, particularly U.S. Treasuries. Caught in the slipstream was not just the dollar but foreign bonds and even equities.

"To say that the bond market has been responding to inflation fears is a bit of an after-the-fact rationalization," Mr. James said.

Stephen Waite, chief European economist for Merrill Lynch in London, said that while most economists have steadily upgraded their forecasts for economic growth in recent weeks, they have actually downgraded their projections for inflation.

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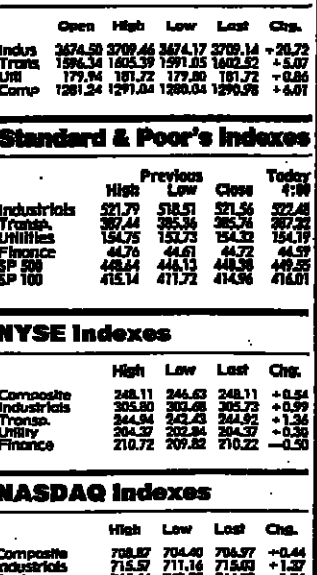
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NYSE	AMEX	NYSE	AMEX
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233.6	233.6	233.6	233.6
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233.6	233.6	233.6	233.6
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BONDS: G-7 Officials Stand Pat

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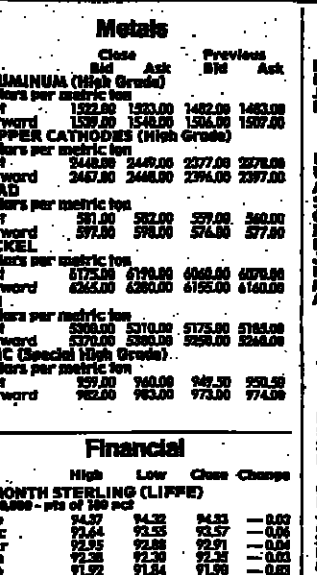
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Via Associated Press July 8



NYSE Most Active

Vol.	High	Low	Last	Chg.
Ford	42.50	42.00	42.00	-1/8
IBM	100.00	99.50	99.50	-1/4
Microsoft	55.00	54.50	54.50	-1/8
Oracle	45.00	44.50	44.50	-1/8
Wells Fargo	25.00	24.50	24.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
Wendell	15.00	14.50	14.50	-1/8
Wendell	15.00	14.50	14.50	-1/8

NASDAQ Most Active

92.97	92.97	92.97	+ 0.06
92.83	92.83	92.83	+ 0.06
92.64	92.64	92.69	+ 0.06

est. volume: 64,945. Open Int.: 335,442.

MONTH FIBER (MATT)

in millions - pts of 100 pts			
94.17	94.07	94.94	- 0.14
93.91	93.88	93.85	- 0.05
93.70	93.67	93.67	- 0.04
92.48	92.57	93.45	- 0.03
93.28	93.28	93.26	Unch.
92.97	92.97	93.04	- 0.02
92.87	92.89	92.84	+ 0.02
92.76	92.69	92.74	+ 0.01

est. volume: 78,228. Open Int.: 281,083.

ING GILT (LIFFE)

Telekom Sale In Germany Wins Approval

BONN — Germany's upper house agreed an extensive package of economic reforms on Friday, making insider trading a criminal offense, approving the privatization of the telephone monopoly and allowing private companies to run highways.

Mannesmann Posts 2d-Period Profit As Sales Recover

DUSSELDORF — Mannesmann AG said Friday that rising sales helped it return to profit in the second quarter, but it failed to break even for the first half. The company's shares fell after the figures were announced, finishing at 407 Deutsche marks (\$258), down from 412.20 Thursday. Traders said some investors were disappointed that Mannesmann didn't have a first-half profit, and analysts said forecasts for 1994 could be cut if continued dollar weakness hits exports as the company warned it might.

First-half sales were 10 percent higher than a year earlier, at 14.3 billion DM, while new orders rose 19 percent, to 16.8 billion DM. The company did not disclose profit figures.

In 1993, Mannesmann had a net loss of 513 million DM, reversing a profit in 1992 of 63 million DM.

The company's shareholders elected Werner Dieter, who stepped down as chairman Friday, to the supervisory board despite investigations against him on suspicion of fraud.

"The result has improved considerably against the same period of the previous year, but because of the weak sales in the months of January and February it remained slightly negative," Mr. Dieter said.

Approval by the Bundesrat was the final hurdle for the measures, many of which had been bitterly fought over by the government and opposition. All had already been passed by the Bundestag, the lower house.

Theo Weigel, the finance minister, said the insider trading ban, new rules on disclosure of information that could affect share prices and the establishment of a securities watchdog marked the start of a new era.

The financial markets laws make insider trading punishable by as much as five years in prison. Mr. Weigel said the measures would make German markets more open and transparent.

The confidence of domestic and foreign investors in how business is done is of considerable importance for the attractiveness of a financial center, Mr. Weigel said. "A new era is starting for Germany."

The Bundesrat also cleared the way for the privatization of Deutsche Telekom, which will be listed on stock markets starting in 1996.

The Bundesrat, which is controlled by the opposition Social Democratic Party, approved the conversion of the three divisions of the post office — Telekom, Postdienst and Postbank — into joint stock companies as of Jan. 1, 1995.

A first tranche of Telekom shares, valued at as much as 20 billion Deutsche marks (\$13 billion), will be floated on stock markets in early 1996.

Another item approved by the Bundesrat is a law allowing private companies to build highways and charge fees for using them.

Consumer Prices Edge Up — Government statistics showed consumer prices in Germany rose 0.2 percent in June, making a year-on-year inflation rate of 3.0 percent, Agence France-Presse reported from Wiesbaden.

The increase was slightly higher than the government's estimate of 0.1 percent for the month, and 2.9 percent for the year, which was based on price movements in four major regions.

An Offer They'd Like to Refuse

Foreign Firms in Moscow Feel Pressure From Mafia

By Michael Specter
New York Times Service

MOSCOW — After years in which the hydra-headed Russian mafia has openly penetrated virtually every level of local business, foreign companies operating here — big and small, famous and unknown — have begun to feel increasing pressure from criminal organizations.

The companies' situation is nothing like it is for Russians, for whom threats, intimidation and violence have become routine. But things from Moscow gangs and more polished representatives from the mafia — as Russians call their criminal organizations — have increasingly turned their attention to American businesses in the last few months.

U.S. diplomats report a rise — to more than a dozen this year from two in all of last year — in the number of companies acknowledging visits from gangs that seek to protect them.

In perhaps the most alarming recent incident, gangsters paid a call on the Moscow office of the U.S. Chamber of Commerce, demanding the list of all companies that are members, their addresses and their phone numbers. Officials refused the request, according to three chamber members who, like almost everyone else interviewed on the subject, demanded anonymity.

"I still consider it safe for Westerners to work here, and I encourage them to do so all the time," said Richard A. Conn Jr., a lawyer with Latham & Watkins, which represents several international corporations doing business in Russia. "But the growth of the mob has been dramatic, and there just isn't a pass for American businesses from the mafia anymore."

Mr. Conn and most others said official corruption, an irrational tax system and a mistrust of profit still hurt American businesses in Russia far more than crime does.

The executives say that no representa-

tive of any American company is known to have been killed by the mob, although such killings occur almost weekly among Russian businessmen, especially bankers.

The days are over, however, when U.S. companies could afford to neglect what the Interior Ministry says are more than 5,000 gangs operating here, or when Americans could permit their Russian partners to silently and secretly handle issues such as crime and payoffs.

"We hired the bad guys in white hats to protect us from the bad guys in black hats," said Bruce Macdonald, director general of BBDO Marketing in Moscow, explaining the presence at his advertising agency of two Russians in camouflage outfits armed with pump shotguns.

It has been impossible to gauge the level of crime carried out against foreign companies, because Russian partners invariably take care of dealing with other Russians.

"In general, people don't want to know what they don't have to know," said Jeffrey M. Zeiger, whose Tren-Mos Bistro was the first American restaurant to open in Moscow. His Russian partner was gunned down in his garage last year, and even today Mr. Zeiger swears he never heard a word about payoffs or a hint of a problem before his partner died.

Hotels and restaurants — the visible

businesses with the obvious cash supply — are usually the first targets. Although they denied it, several of America's most famous corporations have also been approached, according to U.S. law enforcement officials.

"The ones who come to us are almost always small businesses," said an American who insisted on being identified only as an embassy official. "Does that mean that McDonald's isn't bothered or that Coke has no problems? Not necessarily. But if they do, we don't know about it."

McDonald's Corp. says it has no problems with gangsters in Moscow.

"It would take a fairly aggressive and sophisticated group to bother McDonald's," said Sergei Bogdanov, a spokesman for the organized-crime division of the Federal Counterintelligence Service, previously the KGB.

Many of the criminal gangs started in the Soviet labor camps, to which some prisoners were sent for committing the sin of seeking profit. When suddenly communism was bad and profits were good, criminals were often the only Russians who knew what to do.

Many companies that contend they have had no problem with crime should look more closely at their rent, Russian police officials say, because payoffs to mobsters may be hidden in the \$8,000 to \$10,000 a month that it often costs to rent a decent office.

"To me, acting surprised that people in this type of environment are seeking to take their money illegally is like showing surprise that the sun came up this morning," said John K. Bailey, managing director of Johnson & Johnson in Russia. "This is a difficult working environment. It seems stupid to have to keep repeating it, but the greatest rewards are usually not far from the greatest risks."

U.K. Insider-Trade Inquiry Cites Archer

By Richard W. Stevenson
New York Times Service

LONDON — As Jeffrey Archer, he is the author of best-selling pulp novels such as "Kane and Abel," "First Among Equals" and "Honor Among Thieves." As Lord Archer, he is close friend to Prime Minister John Major and tireless campaigner for Britain's governing Conservative Party.

But he is no stranger to controversy in either guise, and now, just as he seemed set to take a more prominent role in politics here, Mr. Archer is under investigation by British authorities for insider trading.

The Department of Trade and Industry said late Thursday that it was investigating Mr. Archer for possible criminal insider trading violations relating to a \$450 million takeover bid in January for Anglia Television Group PLC, a British broadcasting company, by MAI PLC, a London-based conglomerate.

Neither Anglia, which also confirmed that there was an investigation, nor the Department of Trade and Industry provided any details of the case. The Times reported that the inquiry had been set off when a stockbroker reported possible irregularities to the London Stock Exchange shortly after the bid was announced on Jan. 18. The stock exchange's insider trading unit then submitted a report to the Department of Trade and Industry for further investigation, the newspaper said.

Mr. Archer was elected to Parliament at age 29, but resigned his seat five years later, in 1974,

after a business deal went sour, leaving him nearly penniless. Seeking a way to rebuild his fortune, he wrote his first novel, "Not a Penny More, Not a Penny Less." The book sold well, as did those that have followed.

In a brief interview with The Times of London, Mr. Archer, who is 54 and one of Britain's wealthiest men, said that he had not done anything wrong.

"It is completely untrue," he said. "I did not buy any shares. I am not going to make a statement. That sort of accusation is libelous."

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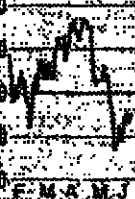
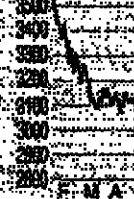

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Investor's Europe

Frankfurt DAX	London FTSE 100 Index	Paris CAC 40		
				
FEB MAR APR MAY JUNE JULY 1993	FEB MAR APR MAY JUNE JULY 1993	FEB MAR APR MAY JUNE JULY 1993		
Exchange	Index	Fiftyday Close	Prev. Close	% Change
Amsterdam	AEX	365.84	368.22	-0.6
Brussels	Stock Index	7,390.43	7,356.08	+0.21
Frankfurt	DAX	2,050.85	2,043.85	+0.34
Frankfurt	FAZ	779.70	781.15	-0.19
Netherlands	HEX	1,741.39	1,743.83	-0.14
London	Financial Times 30	2,328.24	2,326.70	+0.07
London	FTSE 100	2,952.40	2,964.40	-0.41
Milano	General Index	283.26	282.57	+0.24
Milan	MIB	1,108.08	1,116.00	-0.73
Paris	CAC 40	1,224.78	1,220.75	+0.33
Stockholm	Affarsveckslan	1,756.44	1,755.59	+0.16
Vienna	SBS Index	433.47	432.63	+0.19
Zurich	SBS	934.91	933.49	+0.15

Sources: Reuters, AFP

International Herald Tribune

NASDAQ

Friday's 4 p.m.
This list compiled by the AP, consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
A											
100	100	100	AAON					317	100	100	0
101	101	101	AAOI					100	100	100	0
102	102	102	AAOI					100	100	100	0
103	103	103	AAOI					100	100	100	0
104	104	104	AAOI					100	100	100	0
105	105	105	AAOI					100	100	100	0
106	106	106	AAOI					100	100	100	0
107	107	107	AAOI					100	100	100	0
108	108	108	AAOI					100	100	100	0
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128	128	128	AAOI					100	100	100	0
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249	249	249	AAOI					100	100	100	0
250	250	250	AAOI					100	100	100	0
251	251	251	AAOI					100			

12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
B											
121	121	121	AAOI								
122	122	122	AAOI								
123	123	123	AAOI								
124	124	124	AAOI								
125	125	125	AAOI								
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136	136	136	AAOI								
137	137	137	AAOI								
138	138	138	AAOI								
139	139	139	AAOI								
140	140	140	AAOI								

12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
C											
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
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39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774	24%	24%	24%	+1
39%	21%	14%	Eastman		1.15	13	774				

12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
D											
161	161	161	AAOI								
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12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
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12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
F											
201	201	201	AAOI								
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T-4-V											
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238	238	238	AAOI								
239	239	239	AAOI								
240	240	240	AAOI								
T-5-V											
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AMEX

Friday's Closing
Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

12 Month	High	Low	Stock	Div	Yld	PE	52	High	Low	Latest	Change
A											
9%	8	4	AIM Str	.02	3.3	17	28	8%	8	8	-14
7%	14	12	ALC				830	8	8	8	-16
7%	14	12	ALC Int				830	8	8	8	-16
7%	14	12	ALC Int				830	8	8	8	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
20%	20	16	ALC Int	1.75	7.5	13	11	12%	12	12	-16
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Agency to Issue Upbeat Report on Japan's Recovery

TOKYO — Japanese policy-makers said Friday that they were cautiously optimistic that the economy would pull out of its three-year recession this year.

The government's Economic Planning Agency will maintain its view that the economy is still stagnant in a monthly report scheduled for release next Friday, but it will also stress that bright spots are getting brighter, an agency official said.

"We cannot stop saying that the economy is stagnant and going through an adjustment phase until capital investment and corporate profits start to pick up," the official said.

However, the economic climate has increased its bright-

Police in Tokyo Raid NTT Offices In Bribery Case

TOKYO — Police searched the headquarters of Nippon Telegraph & Telephone Corp. and more than 10 other locations Friday after the arrest of an NTT executive accused of accepting a bribe, Kyodo news agency reported.

Tasaka Takayama, 53, a section chief for NTT's Tokyo branch in Sendai, allegedly received 20 million yen (\$202,000) from a Tokyo restaurant in return for helping him win a contract for a restaurant in the NTT Makuhari Building in Chiba.

Masato Hamada, 41, who was also arrested Thursday night, allegedly gave Mr. Takayama the money in 20 installments starting in 1991.

Mr. Takayama took out a loan from a Tokyo bank in 1987 to invest 50 million yen in NTT shares as part of a campaign to get employees to invest in the company's stock.

Police said they suffered major losses when NTT's stock price fell. Investigators said Mr. Takayama apparently had arranged for the restaurant contract before he moved to Sendai.

ness for the last month, and we can point that out."

The heat wave that hit many parts of Japan this week is good news for breweries, consumer electronics and the leisure industry, and income tax cuts are likely to prompt households to boost spending on durable goods, an official said.

The agency will say in its report that the rise in the value of the yen could slow the recovery, officials said.

The yen's rise in the past week or so will not prompt Japanese companies to cut production for the next couple of months, but it could immediately cut their dollar-denominated income, another agency official said.

"It is still not clear whether the high yen will dampen business and consumer confidence, and if so how much," he said.

Government and central bank officials said they were not too concerned about the yen. Japanese companies have adapted to the changing situation, however, the yen strengthened against the dollar, "one government policy-maker said."

A high yen cuts the dollar incomes of exporters and makes Japanese goods more expensive overseas, but it also helps hold down prices in Japan for items such as energy, cars and food.

The introduction of discount shops in Japan and efforts to cut out layers of middlemen in the retailing industry also have helped push down prices of imported and other goods.

Japan-China Auto Talks

Japan and China ended five days of talks on cooperation in the automobile industry by saying that groundwork had been laid for an expansion of relations, Reuters reported.

The Japan Auto Parts Industries Association said the two nations had agreed that many Chinese and Japanese companies had a strong desire to undertake joint production.

Hirotoshi Suenaga, senior analyst at Kantaku Research Institute, said China's recently announced policy on investment in its automotive industry was likely to accelerate interest on the part of Japanese and other foreign carmakers.

Yen Raises China's Costs Firms Consider Switching Suppliers

SHANGHAI — Chinese manufacturers, scrambling to cope with a soaring yen that has raised prices of Japanese goods, are cutting costs and considering switching suppliers.

Companies that buy parts and raw materials from Japan, including some of the country's largest enterprises with class B shares for foreign investors, are confident they can ride out the currency shock.

But the yen's rise is an added concern for B-share investors already jittery about the impact on Chinese corporate profits of surging inflation and a credit clampdown.

Investment analysts said an immediate fear was that the currency risk might discourage Japanese investment in dollar-denominated B-shares just as Japanese investment houses were showing more interest in Chinese equities.

"We had expected some involvement from Japanese investors," an analyst at Baring Securities Ltd. said Friday. He added that the higher yen "may be an issue."

Individual companies reliant on Japanese imports might be affected if the dollar weakened to 90 or even 85 yen, he said. The dollar closed Friday in Tokyo at 98.60 yen.

A spokesman for Shanghai Shengling Electric Appliances Co., a maker of refrigerators and air conditioners, liked the effects of the yen's rally to the sudden rise of the dollar against the yuan last year.

The company said it was responding by expanding production facilities.

"Last year when the exchange rate was 11 yuan to the dollar, we survived," he said. "I don't think the effect will be much more than that." The yuan is now around 8.6 to the dollar.

Shanghai imports between 20 percent and 25 percent of its components for refrigerators and 40 percent to 50 percent of those for air conditioners, mainly from Japan.

For Shanghai Haitin Co., which makes plush fabric for China's booming exports of

stuffed toys, the potential impact is greater. In 1992, the company bought 96 percent of its raw materials from Japan, chiefly acrylic and polyester fiber.

But a spokesman for Haitin dismissed concerns the high yen would raise input prices, saying Japanese suppliers would have to cut their profit margins instead.

"Our imports from Japan are priced in U.S. dollars," he said. "With the appreciation of the yen, of course, they'll want to raise their dollar prices, but we're their biggest customer in mainland China."

Other Chinese companies agreed that the yen's rise would have only a marginal impact on their operations.

Wu Longgen, deputy manager of Shanghai Sanmao Textile Co., which makes garments

The appreciating yen has added to the corporate headache for Chinese companies that depend on Japan for raw materials.

from Australian wool for domestic and export use, said his company had already cut back on imports of refined wool from Japan.

"Now it's mostly domestically processed," he said, adding that China's lower costs made it more economical to buy raw wool directly from Australia.

In 1992, Sanmao bought 34 percent of its wool supplies from Japanese processors. But with the company's issue of B-shares at the end of 1993, pressures for efficiency are rising.

"Now that we're a joint-stock company, we have to increase our profits every year," Mr. Wu said.

Korea Capitalizes, in the Short Term

SEOUL — The soaring yen has brought South Korea a rash of orders from Japanese companies trying to escape high costs at home, but it has also raised concerns about possible long-term side effects.

Daewoo Corp. recently won orders for \$3.3 million of excavator parts from Hitachi Corp. and \$1 million worth of parts from Sumitomo Corp., according to government data.

Mando Machinery Corp. landed Japanese orders for electronic automotive parts valued at \$200 million, while Samsung Electro-Mechanics Co. won a hefty package of orders from several Japanese companies.

But not everyone here is thrilled by the unabated rise of the Japanese currency.

In the short term, a strong yen leads to rapid expansion in Korean exports because Korean goods become more competitive in overseas markets.

But South Korea's heavy reliance on raw

materials and machinery — costs of which are rising in line with the yen — detracts from the benefits.

"A wave of red ink in the trade balance with Japan would obliterate whatever hope we have of coming out the overall winner in terms of profit," said Nam Jang Keun, a researcher at the Korean Institute for Industrial Economy and Trade.

The Trade Ministry has forecast this year's trade deficit with Japan will reach a record of more than \$10 billion.

The government is studying ways to provide certain companies with financial aid to help bring down that deficit.

But the longer the yen's strength continues, the greater the potential for adverse effects on South Korea's economy, analysts say.

"The trend could snuff out any improvement in Korean industrial competitiveness," said Lee Chol Soon, an economist at the Daewoo Research Institute.

Big Insurer In Malaysia Ordered to Liquidate

KUALA LUMPUR — Malaysia's largest general insurer, Mercantile Insurance Sdn., was directed Friday to liquidate after it had become insolvent.

It was the first such case in Malaysia's growing insurance industry.

The central bank said Finance Minister Anwar Ibrahim had issued the directive because the company was facing a capital deficiency.

Pending approval of the order by the High Court, the central bank appointed liquidators for the insurer, whose 1993 accounts showed a capital deficiency of 392.7 million ringgit (\$157 million), bank officials said.

The bank, which assumed control over the property, business and other affairs of the company in 1991, directed Mercantile two months ago to cease writing new business and suspend payments to claimants and creditors.

The 263,000 policyholders of Mercantile were asked to obtain policies with other insurers.

The central bank said it proposed to pay policyholders, claimants and creditors 70 percent of their claims from an insurance guarantee fund, at an expected cost of more than 200 million ringgit.


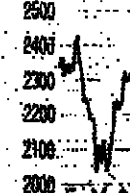
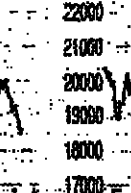
But the central bank warned that policyholders would not be provided with any insurance coverage when their policies were terminated on the effective date of the liquidation order.

Since taking over the supervision of the insurance industry in 1988, the central bank has been trying to enhance the credibility of a group of 59 local insurers, some of whom have been plagued by capital inadequacy and a lack of professional skills.

The central bank is closely monitoring the capital base of at least five others, insurance sources said.

Malaysia's general insurance business recorded a 20.6 percent increase in written premiums to 2.89 billion ringgit, in 1992, according to the latest available figures from the central bank.

Investor's Asia

Hang Kōng Hang Seng	Singapore Straits Times	Tokyo Nikkei 225		
				
F M A M J J 1994	F M A M J J 1994	F M A M J J 1994		
Exchange	Index	Friday Close	Prev. Close	% Change
Hang Kōng	Hang Seng	8,432.96	8,490.86	-0.68
Singapore	Straits Times	2,162.94	2,146.01	+0.79
Sydney	All Ordinaries	1,984.90	1,982.20	+0.14
Tokyo	Nikkei 225	20,536.50	20,620.00	-0.40
Kuala Lumpur	Composita	987.78	981.37	+0.65
Bangkok	SET	1,287.34	1,302.86	-1.19
Seoul	Composita Stock	948.86	945.71	+0.34
Taipei	Weighted Price	6,191.79	6,095.34	+1.58
Manila	PSE	2,583.85	2,629.23	-1.73
Jakarta	Stock Index	452.20	454.104	-0.42
New Zealand	NZSE-40	1,955.93	1,968.25	-0.52
Brussels	National Index	1,938.21	1,935.32	+0.15

Sources: Reuters, AFP

International Herald Tribune

Very briefly:

- Deutsche Aerospace AG, a unit of Daimler-Benz AG, and China Aerospace Corp. are launching a joint venture to be called EuroSpace to build and operate satellites.
- Gantry Acquisition Corp., one of two U.S. bidders seeking control of Bridge Oil Ltd. of Australia, dropped out of the race 24 hours after saying it intended to increase its offer.
- Coca-Cola Co.'s application for a joint bottling venture in Ho Chi Minh City has been dropped from government consideration because the soft drink market in southern Vietnam is saturated.
- Vietnam has approved \$142 million of American investments since the United States lifted its 19-year economic embargo against its former enemy in February.
- South Korea has eased import restrictions on cars made in the European Union to match regulations already in place on cars from the United States.
- Akai Electric Co. posted a pretax loss of 1.8 billion yen (\$18 million) for the six months ended May 20, compared with a loss of 941 million yen in year-earlier period, as sales fell 22 percent.

Indonesia Opens to Investors

JAKARTA — Indonesia plans to raise the 49 percent limit on foreign share ownership to an unspecified amount, in line with new foreign investment rules announced last month, a finance ministry spokesman said Friday.

Under previous rules, foreign investors had to ensure that local partners had a 51 percent stake in projects after 20 years. Indonesia faces stiff competition from China, Vietnam and India for foreign investors' funds.

Sempati Goes Public

Indonesia's newest private commercial airline, Sempati Air, probably will go public next year, Agence France-Presse reported, quoting a company spokesman.

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THE MONEY REPORT

When Picking Stocks, Weigh the Dividend Yield

By Barbara Wall

There is nothing wrong with buying a stock on the strength of its dividend yield — investors seeking income adopt this strategy all the time.

But any serious analysis of a stock's value will have to take into account the relationship between a company's earnings growth and its dividend payouts, as well as the effect that dividend payments, or the lack thereof, have on share price in the long term.

Market and sector differences also must be included in the equation to complete the picture.

"Most investors like to hold a few dividend-paying stocks in their portfolio as an insurance policy against falling markets," said an equity analyst at the London brokerage Barclays de Zoete Wedd, who insisted on anonymity. "Past experience has shown that high dividend payers tend to fare better than non-dividend payers during a crisis, as the presence of dividends cushions the stock from dramatic price falls."

The classic argument against a progressive dividends policy is that it prevents company di-

Prices and Earnings
Yields as a Function of Share Prices

Country	Value at 31 Dec 1993	Value at 30 May 1994	Range over period			P/E ratio
			High	Low	Average	
Britain	3.49	4.15	4.15	3.38	3.7	13.9
USA	2.75	2.37	2.87	2.37	2.61	14.9
Japan	0.89	0.75	0.89	0.75	0.8	80.2
Switzerland	1.47	1.74	1.88	1.37	1.56	18.8
France	2.06	3.01	3.01	2.72	2.86	18.3
Germany	1.64	1.75	1.85	1.63	1.73	20.5
Spain	8.98	8.98	4.28	3.57	3.88	13.4

Source: Calculated from earnings data for 1994. Dividend yields are based on the latest available data. Earnings are based on the latest available data.

viding," said Andrew Bell, a strategist at BZW in London. "The share price is unlikely to rise on the strength of higher earnings alone. For that to happen, dividend payments must also increase."

In the absence of growth, however, dividend yield becomes the single most important component of a stock's value. Some analysts say it is essential to check that the stock will continue to pay dividends regardless of the economic situation. Otherwise, one could be left holding a slow grower with little going for it.

Also, if you are buying a stock on the strength of its yield, it is not enough to compare the cur-

rent yield to the market average. Historic yield patterns should also be considered.

"If a stock is yielding 3 to 4 percent and the average yield in the market is 2 percent, investors may be tempted to buy it," said Joe Rooney, an investment strategist at Lehman Brothers in London. "However, if the stock normally yields 5 to 6 percent, it should be investigated further. A lower-than-normal yield is really only acceptable if the company's growth prospects are good."

Fast growers also tend to have high price-earnings ratios. The P/E multiple shows the relationship between a company's stock price and its earnings per-

share, and is typically used as a measure of growth potential. When markets are in a growth phase, P/E ratio often supplants dividend yield as the most important factor in calculating value.

Dividend yields are getting all the attention at the moment, however, because of lower interest rates in Europe. "When one considers that average deposit rates are around 3 to 4 percent and that the dividend yield on some stocks is around 5 or 6 percent, it is not surprising that investors are concentrating on dividend plays," said the BZW analyst.

High-yielding stocks can be found in the European financial

sector, particularly banking, according to Marcus Grubb, a strategist with Salomon Brothers in London. "These stocks have fallen more than others so they are yielding a premium," he said.

Analysts also say there is little doubt that the stage of market development has an impact on the overall yield. More mature markets tend to trade on higher yields compared to growth markets.

"Dividend yield is virtually ignored by Japanese investors, who prefer to measure a stock's value by its P/E ratio," said Yutaka Sugiyama, director of research for UBS Phillips & Drew in Tokyo. "The fact that the Japanese economy was growing at twice the rate of the U.S. economy during the 1980s partly explains the importance attached to P/E multiples and the lack of interest in dividend yields."

"But it does not explain why the P/E ratios are so high," continued Mr. Sugiyama. "The average Japanese P/E for 1994 is around 60. Corporate earnings will have to improve dramatically in the near future to justify these exceptionally high multiples."

The importance attached to dividend yields is likely to lessen as interest rates start to rise. However, this may not be for at least another six to eight months, say many market observers. In the meantime, high-yielding stocks will continue to be attractive.

Income Funds Back in Vogue

By Aline Sullivan

EQUITY income funds are casting a powerful spell over investors on both sides of the Atlantic as economic growth in the United States and Britain translates into healthier corporate earnings and more generous dividend payouts.

They are becoming more popular because the income factor provides a measure of stability when markets are volatile, said Kevin Wilkins, a fund manager at Fidelity Investments in Boston. Investors in these funds want growth, he said, but also more security than is available through aggressive capital growth funds.

"The income component serves as a cushion," said Mr. Wilkins. "At least 65 percent of our funds must be in dividend-producing stocks. That makes equity income funds better for the long term investor."

Fidelity has two major equity income funds: the Fidelity Equity Income Fund and Fidelity Equity Income Fund II. Both cite their prime objective as current income, with capital appreciation playing second fiddle. Both have high concentrations in the financial and energy sectors, with about 20 percent of each in foreign investments.

Both Fidelity funds have outperformed the Standard and Poor's 500 index over the past three years, but most income funds passed through a difficult period during the early 1990s due to the U.S. and U.K. recessions.

The secret to success during this difficult period, according to Mike Cordess, a fund manager at Allied Dunbar in London, was the selection of stocks supported by strong management teams. He identified the U.K. electrical giant GEC as being among these companies, as well as chemical and pharmaceutical firms ICI and Zeneca (the former components of the combined ICI group). These firms were able to maintain healthy dividend payments throughout the British recession and are now stronger than expected, he said.

For many British firms, the beginning of recovery dates from the sudden departure of sterling from the Exchange Rate Mechanism of the European Monetary System in September 1992. Philip Glaze, a director of the London-based independent fund monitoring service Fund Research Ltd., said that Britain's exit from the ERM paved the way for higher dividends as a result of the enhanced competitive position of British firms in export markets.

Before sterling was devalued, a steady stream of British companies had been doing the unthinkable and cutting their dividends. Investors in income funds had been having a lean time.

Unlike their Asian and continental European counterparts, the management of listed U.S. and British companies cut dividends only as a last resort, for fear that the act will send their companies' share price tumbling. Instead, they are willing to see dividend cover — the ratio of earnings to dividends — eroded and their scope to reinvest earnings in the company diminished.

Continental European economists such as Michel Albert, former chairman of French insurer Assurances Générales de France and now an advisor to the Banque de France on monetary policy, claim that devaluation usually backfires because companies simply increase their payouts to shareholders, rather than ploughing the money back into the business.

While devaluation may not necessarily have been good news for the long term health of the British economy, it certainly came as a relief to investors in equity income funds. The biggest beneficiaries, say analysts, have been those income funds that took the hardest pounding before the devaluation of sterling.

"Higher yields denote lower perceived quality," said the directors of Fund Research in a recent report focusing on equity income funds. "The performance of U.K. equity trusts over the past year may be captioned as a flight from quality — the top performing funds in the past year have been those already exposed to lower quality recovery stocks prior to Sterling's exit from the ERM."

Mr. Glaze tempered his optimism with caution. "Don't expect strong growth just because companies are building up dividend cover again," he warned. "But it is all leading to a firmer base. Income funds are getting back on track after going through the mill."

Income fund managers are continuing to turn their attention to second-line stocks that are expected to be the next beneficiaries of economic recovery. Andrew Burdis, fund manager at Gartmore Investments in London, said his company's funds will be increasing their exposure to small companies over the next six months.

Mr. Cordess agreed. He too will be focusing on smaller companies and on what have previously been the poorer quality stocks, including banks and building material companies. "All three of our funds are increasing their non-FTSE weightings," he said. "These companies should be the next to benefit as the economy improves."

In the absence of growth, dividend yield becomes the single most important component of a stock's value.

rectors from taking a long-term business view, and limits the funds available for investment.

Roger Barker, an equity strategist with London-based UBS Phillips & Drew commented: "Small, dynamic companies should grow much faster if they re-invest surplus profit. However, company directors have a nasty habit of blowing the cash on madcap investment schemes. As a result, some companies are better off distributing profits."

"If the company really needs to diversify in order to grow," Mr. Barker continued, "it can usually raise money from the capital markets."

Whatever the market or sector, stocks will generally trade on lower yields if they have a favorable growth profile. Some investors are prepared to accept a trade-off between dividend yield and capital gains. "In markets with high participation by retail investors, some may be indifferent to the way in which they receive their reward — by capital gains or by income," said Marcus Rosen, an international equities strategist with SG Warburg Securities in London. "Institutional investors, however, tend to prefer income to capital gains. Hence, the pressure on companies to pay out higher dividends."

Institutional investors — particularly pension funds — are traditional strong buyers of equities in the United Kingdom, which may explain why dividend yields tend to be higher there than in Japan or continental Europe.

"Once earnings start to escalate, investors will expect to see an improvement in the dividend

June Market Scoreboard

Best Performers

Price June 30 change

New York Stock Exchange	25,100	25.5
Amex	2,500	2.5
NYSE	3,100	3.5
CNO	2,500	2.5
US Steel	2,500	2.5
IBM	2,500	2.5
Microsoft	2,500	2.5
Oracle	2,500	2.5
Wells Fargo	2,500	2.5
Western Union	2,500	2.5

Worst Performers

Price June 30 change

Amex	2,500	2.5
NYSE	3,100	3.5
CNO	2,500	2.5
US Steel	2,500	2.5
IBM	2,500	2.5
Microsoft	2,500	2.5
Oracle	2,500	2.5
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July 8, 1994

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THE MONEY REPORT

How Quickly Bloom Fades from the Bright, Technology-Stock Rose

By Conrad de Aenle

IT WAS only a penny or two, but it cost a fortune. The management of a computer chip maker called Xilinx Inc. said market analysts had been "too aggressive" in their earnings forecasts for the company this past quarter. So a couple of them shaved a couple of cents, at most, from their estimates, which had been concentrated at around 55 cents per share.

Then the real aggressiveness began. The stock was sold down 17 percent in a few hours that day in mid-May. It closed at \$39.50, after having traded above \$53 the week before.

A few days before Xilinx was broadside, Cisco Systems, which makes computer networking technology — systems that allow personal computers to communicate with each other — reported quarterly earnings exactly in line with expectations.

But Cisco warned that sales would grow 8 percent from one quarter to the next, compared with the 12 percent to 15 percent that it had routinely achieved in the past. Its stock fell \$5.75 to \$23.25.

Such a torrent of selling seems an extreme reaction, considering how close the results were to expectations. But it was not that tiny shortfall that was responsible, say people who follow these companies. Rather, it represented a ratcheting down of expectations for the next reporting period.

"It's a forward-looking market; it's not so much what this number is, but what forward numbers will look like," explained Jim Parnelle, a technology analyst at CS First Boston. "The market revalues what growth rates will be in the future."

The market in technology stocks consists largely of "momentum players," traders who like to buy companies whose earnings charts trace out a sharp, steady

upward slope. As soon as the slope heads the other way, or even continues to rise less steeply, they sell and move on to something else.

Why are they so quick to leap off the bandwagon? For the same reason, often suspected but not so often articulated, that many on Wall Street make the decisions they do: They simply don't know what they're doing.

"These businesses are very complex," said Paul Svetz, an equity analyst for technology companies at the Scudder fund management company. "Because it's such an opportunistic area — such an attractive area growing so fast — people tend to pay high premiums for these stocks. You're willing to pay a big premium up front for this outstanding performance, but at the first sign of disappointment, those investors who perhaps don't have a clear picture of the industry and the business associated with it may simply abandon the stock. Most people would not understand

how a multiple-protocol router works, but it's a \$2 billion market."

For those who do know that a router is a type of networking system, earnings that fall short of forecasts can be taken as a sign that not all is right with a company.

"Earnings expectations have been finely honed to reflect a company's business opportunities," said Neil Weintraub, a senior technology analyst at Hambrecht & Quist. "When they fall short of those expectations, it's a leading indicator that there are some issues or problems that need to be addressed. Certainly it's not always the case that when a company comes in light, there are broad fundamental problems. But it indicates some issue out there and that's the way the markets have evolved to work."

The issue in the networking business is an increase in competition between makers of routers, such as Cisco, and of rival systems called intelligent hubs. Mr. Parnelle said. It will take several years for the

battle to be played out. In the meantime, "demand for networking equipment continues to be very strong," and sentiment is negative enough that there is little room for further disappointment.

As for Xilinx, Charles Boucher, who follows the company for Hambrecht & Quist, said the present quarter may disappoint, but looking further out, the market may be underestimating its prospects.

"Xilinx is an excellent company that delivers generally solid financial performance," Mr. Boucher observed. "The business they participate in is a very high-growth business and they are the market leader." There is every chance that the fourth quarter could offer a positive surprise to match the recent negative one.

It's tough staying on top quarter after quarter, but companies, especially in high technology, go out of their way to make the effort. Mr. Weintraub said it is common practice to make a purchase from a

supplier near the end of the quarter because the supplier will offer the best deal possible to try to seal the deal and boost the revenue it can report for that period.

The emphasis on short-term results "can induce companies to try to cut costs at the expense of long-term paybacks," he added. "If we think a company is underinvesting, we'll factor that into our projections."

While such mortgaging of the corporate future may seem unhealthy, Mr. Svetz advised that a heavy price can be paid for failing to secure the good will of Wall Street.

"Share prices are very important to their ability to raise capital and in their ability to reward employees," he pointed out.

While the IBMs of the world can pay cash for the best staff, smaller companies rely on packages laden with stock options, the value of which appreciates, often dramatically, as shares grow in value.

Do Higher Earnings Always Mean Higher Dividends?

By Digby Lerner

INVESTORS looking for income from equities have had a rough ride in recent years. In Europe, especially, where the recession has taken a heavy toll on corporate earnings, share dividends have been badly hit.

But some analysts now believe that many businesses have turned the corner. With recovery prospects looking better than expected, corporate earnings are climbing out of the red.

The trick for income investors, say analysts, is to spot where earnings are most likely to grow and whether or not they will translate into larger dividends. Complicating that endeavor is the fact that the impact of earnings on dividends often varies between countries and sectors, as well as between corporations.

Roger Barker, an equity strategist with UBS Phillips & Drew in London, said that British corporations, for example, traditionally pass on a higher proportion of earnings to shareholders than those in other European countries.

"This has a lot to do with the structure of share ownership in Britain," he said. "Large pension funds and insurance companies are often major shareholders in big businesses. They have an interest in putting pressure on companies to pay out higher dividends."

"In countries like Germany, on the other hand, there is more cross-shareholding between companies and banks," Mr. Barker

continued. "Under these circumstances there is less pressure from shareholders for higher dividends."

While this makes British stocks a likely first choice for many income investors, a question mark hangs over how much longer this difference will last. High payouts in Britain have attracted the unwelcome attention of the country's government and opposition parties.

Stephen Dorrell, a junior Treasury minister, has gone on the record as saying that high dividends are drawing corporate earnings away from much-needed investment programs.

The industry spokesman for Britain's opposition Labor Party, Robin Cook, has publicly expressed the same view, and has gone further by hinting that a future Labor government would impose limits on the level of dividends corporations can pay.

Although management groups are lobbying hard to persuade politicians that this view is misguided, the possibility of future limits on dividend payments in Britain cannot be entirely discounted yet.

Among individual stocks, there is no guarantee that higher income growth necessarily means a higher payout for shareholders. Logically, they should go hand in hand, but much depends on how each corporation fared during the recession.

Nicholas Wilson, an analyst with Nomura Research in London, says that while some businesses reduced dividends when earnings fell, others tried to maintain them at existing levels.

"Those who cut dividends early and who are now seeing earnings pick up will be

able to push up dividends soon," he said. "Unfortunately, the ones who continued paying out at the same level throughout the recession have seen their dividend cover badly eroded."

Dividends are also being held back by concerns among corporate chiefs that the recovery is weaker than some market analysts believe. Figures from the investment manager J.P. Morgan show that predicted earnings growth figures across Europe for the rest of 1994 are way ahead of dividends in most countries.

The biggest discrepancy between the two figures is in Germany and France. Earnings in Germany are expected to grow by a massive 42 percent this year while dividends are set to increase by only 6 percent. In France the figure is 36 percent earnings versus 6 percent dividends.

This is partly a reflection of how badly hit both countries were by the recession. Confidence remains shaky and corporations need to see further evidence of the recovery taking hold before earnings are translated into significantly higher dividends.

Barry Woolf, investment director at Mercury fund managers in London, says that although there is evidence of sustained growth in earnings, the turnaround is too recent to have an immediate effect on dividends.

So, even as earnings forecasts improve, income investors may have to wait until early 1995 before they see dividends returning to the levels of growth which they enjoyed before the recession hit home.

BRIEFCASE

MFS to Launch New Fund

Massachusetts Financial Services is launching the MFS World Asset Allocation Fund, which will divide shareholders' money among five investment categories: U.S. and foreign stocks, U.S. high-yield and investment-grade bonds, and foreign bonds.

The allocation will be determined by the company's senior investment officers and researchers at meetings held monthly, or more often if market conditions warrant, MFS said in a statement announcing the fund's inauguration. Once the allocation has been set, managers in charge of each sector will figure out which individual securities to buy.

The fund, which will begin doing business July 22, will be issued in three classes, each with a different charging structure.

Prospective buyers should study the prospectus carefully and then ruminate long and hard to determine which class, if any, is right for them.

The minimum initial investment for all classes is \$1,000.

An Emerging Markets Twist

Does the world really need another emerging markets fund? Robertson Stephens & Co., the San Francisco investment group, thinks so — as long as it has a unique twist.

The firm has just launched a fund which it claims will profit from both the ups and downs of the notoriously volatile emerging markets.

To play the downside, fund manager Michael Hoffman will allocate up to 25 percent of his cash to "short" selling in markets which he views as riding for a fall. He'll sell borrowed shares of companies in those countries, or of funds which target those countries.

Then, if their prices fall as anticipated, he will profit by buying the shares back at lower prices to return to the lenders. (Since short selling is forbidden in most emerging markets, Mr. Hoffman will borrow shares of companies and funds which are listed outside their home market. For example, a country fund listed on the New York Stock Exchange.)

Mr. Hoffman's top "short" candidate is Brazil, where he believes leftist Luis Inacio da Silva is heading for a win in the October Presidential elections, sending the market into a tailspin.

On the upside, Mr. Hoffman favors Korea, where he anticipates economic growth of a healthy 7 percent this year. He owns companies like Samsung Electronics and Hyundai, the auto maker.

He is also betting on Mexico, where he predicts that the ruling party will win the August presidential elections.

Initial investment in the no-load, open-end Robertson Stephens Emerging Markets fund is \$5,000. For more information, call San Francisco (415) 781 9700, or fax (415) 433 2964.

The Money Report is edited by Martin Baker

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SPORTS

3 Close Races
Light Up Skies
For AL Playoffs

The Associated Press

Halfway to the expanded playoffs, the American League has three pretty decent-looking divisional races.

The Cleveland Indians became the last AL team to play its 81st game Thursday, losing

AL ROUNDUP

to the Texas Rangers, 6-4, in a contest between first-place teams.

Texas maintained its three-game lead over Oakland in the West while Cleveland had its Central lead cut to one game over Chicago.

"It would be nice to be in their division, but first place in any division is still first place," said the Indians' manager Mike Hargrove, a Ranger from 1974-78. "I played here for a long time and I know if there's a pennant flying in Texas, this place will go crazy, just like it will in Cleveland."

In the AL East, New York increased its lead over Baltimore to 1½ games by beating California while the Orioles were losing to the A's.

No team has been able to coast this season, but the Yankees have been in first longer than the Indians or Rangers.

New York moved into first on May 9 and has been there for the past 60 days. Cleveland has been in front of Chicago for 27 days and the Texas has held first for 39 days.

The Rangers kept their advantage at three games over Oakland by getting getting two home runs from Dean Palmer. His two-run shot in the fourth tied the score at 2 and his long three-run blast in the fifth put the Rangers ahead to stay, 6-3.

It was Palmer's third two-homer game since June 18. Since then, he's had 11 homers, giving him 17 for the season. His batting average also has skyrocketed, going from .229 on June 24 to .268 following Thursday's 3-for-4 game.

"I've been really aggressive, looking for pitches in my zone," he said. "I'm not sitting back and trying to put the ball in play. I'm trying to drive it."

Yankees 5, Angels 2: Jimmy Key helped end New York's three-game losing streak by holding visiting California to six hits for seven innings and

became the first 13-game winner in the AL.

Key allowed six hits in seven innings, with Bob Wickman and Steve Howe finishing up.

Two-out singles by Wade Boggs and Danny Tartabull drove in two runs in the seventh inning, breaking a 2-2 tie. Randy Velarde had a homer and pinch-hitter Paul O'Neill drove in the final run with a single, upping his average to .381.

Athletics 6, Orioles 4: Geronimo Berroa singled in two runs to cap a three-run sixth that continued Oakland's winning streak and ended host Baltimore's at four games.

Scott Brosius had three hits and scored twice for the A's, who have won five straight and 13 of 14.

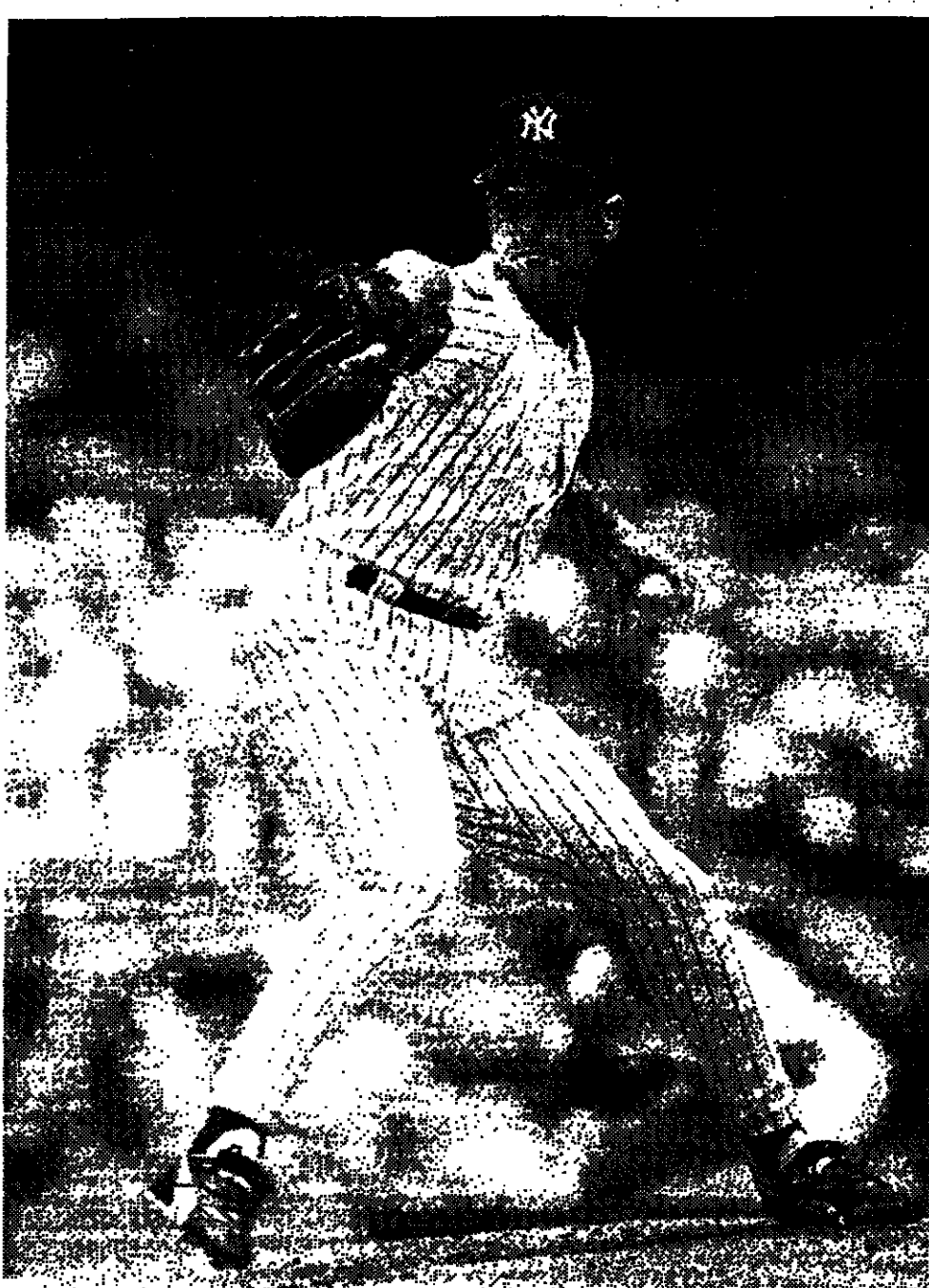
The Orioles' Mark Eichhorn had his 20th scoreless inning streak ended and took the loss.

White Sox 9, Tigers 5: Robin Ventura broke out of a 2-for-23 skid with a leadoff double that triggered a four-run second in Detroit and later homered as Chicago won for the 15th time in 19 games.

Detroit's rookie shortstop Chris Gomez, who had driven in only one run since June 27, got four hits and three RBIs; he has driven in 47 runs with his 62 hits, all in only 221 at-bats.

Mariners 4, Red Sox 3: Ken Griffey Jr. broke his 11-game homerless streak and Brian Turrang singled in the winning run in the 10th in Boston, but Seattle's biggest swing may have been Keith Mitchell's ground out to the pitcher in the fifth.

The liner off his leg led to Aaron Sele's departure after eight innings in which he had given up only three hits and



Jimmy Key, halting another Yankee losing streak, became the AL's first 13-game winner.

held a 3-1 lead. Reliever Ken Ryan gave up three runs and six hits in two innings.

The Mariners' Randy Johnson struck out nine, walked three and allowed five hits in nine innings.

Royals 8, Brewers 3: Mike MacFarlane's three-run homer climaxed a six-run seventh that beat Milwaukee in Kansas City.

Tom Gordon won his fourth straight, giving up five hits, walking three and striking out a

season-high nine in eight innings.

Blue Jays 4, Twins 3: Rick Aguilera's two-out, ninth-inning wild pitch allowed pinch-runner Rob Butler to score for visiting Toronto.

Ripken: One of the Greats

By Thomas Boswell

Washington Post Service

BALTIMORE — As usual, a loss is being made over Cal Ripken for the wrong reasons. The day after he was voted the American League's starting shortstop in the All-Star Game for the 10th time he reached the midpoint of the schedule on a pace for 200 hits, 126 runs batted in and a .312 average, on a statistical par with his most valuable player years in 1983 and 1991.

True to his form, Ripken responded to the 5 million all-star votes and his fan status by apologizing for last season. In 1993 he was embarrassed by the .229 batting average he dragged to the plate with him at the All-Star Game.

But even Ripken forgets, where his value lies. He's not a pre-eminent hitter, just an excellent, durable, one, like

Carl Yastrzemski or Al Kaline. What defines Ripken, and makes him one of the greatest players ever, is his defense. Except for Ozzie Smith, Ripken is the best defensive shortstop of his era.

There, I've finally said it. After 1,968 games at shortstop, the case for Ripken's defensive prowess is overwhelming.

Fact: Of active shortstops, Ripken makes the most double plays per game. Only one current player, Dick Schofield, is close to him. The gaudy acrobats of the position, such as Smith and Ozzie Guillen, are not. In his career, Ripken has averaged 110 double plays in 162 games a year. That's 10 a season more than either of the Ozzies and 25 more than many shortstops. This season, Ripken is on pace to lead the league in double plays for the seventh time, which would be the major league record.

Fact: Of all active shortstops, Ripken is second in efficiency at turning ground balls into outs: 3.07 assists per game for his career. Smith, the Wizard of Oz, reaches nearly 50 more grounders a year than anybody else (3.36 assists per game). That's an enormous gap, but then he's the consensus Greatest Ever. What's shocking is that, over his career, Ripken edges out those other swift players famous for their range: Barry Larkin (3.05), Guillen (3.04), Tony Fernandez (2.91).

How can a slower, less spectacular fielder make more plays? Ripken studies hitters fanatically. "Cal knows everything about everybody," says catcher Chris Hoiles. "And he's willing to gamble, even though he gets burned at times."

Also, Ripken uses the old trick of "cheating" on many pitches. Since Ripken knows whether the pitch will be fast or slow, inside or out, he leans toward where the ball is likely to be hit, giving him a jump. That, plus a great first step, lets him materialize suddenly to make "routine" plays on balls that, when they left the bat, looked like hits. This also takes a gambler's courage and,

occasionally, Ripken crosses himself up so badly that balls shoot directly through his position while he seems vapor-locked.

However, as 12 years prove, Ripken's fudging on position and cheating on his jump helps him reach more balls than anybody but the Wiz.

Finally, Ripken studies technique devoutly. Out of necessity. At 6 feet, 4 inches and 220 pounds, the biggest shortstop ever, he's had to reinvent lots of footwork.

"I had the luxury of talking to Mark Belanger at 14," says Ripken of his great predecessor. "I'd listen hard and shake my head 'yes' to everything, but I had no clue. Five or six years later, something would click and I'd say, 'That's what he meant.' For example, you're taught to take the ball to your backhand side off your left leg — that is, with your left leg extended toward the catch. "You can reach the farthest that way and you only need to take one jab step with your right leg to stop your momentum and then throw. If you take the backhand off the right leg, you need two steps to come under control and throw."

"Belanger told me, 'At the major league level, you have to know who's at bat because taking the backhand the "correct" way — off the left foot — won't work with a speedy runner. You have to stop your momentum before you get to the ball, take the backhand off the right leg and throw in the same motion with no steps at all.'"

"Of course, if you do that, you have to put on the brakes sooner and you have a little less range. Sometimes, you won't quite be able to reach the ball. That looks bad. Your instinct is always to get to the ball. Belanger said, 'If you get the ball, but can't throw out the man, where's the play?' "Ripken never stops learning. "The last couple of years, I've moved a step or two closer to the hitters to increase my range," he says.

What? "Range is like a cone. If you map a trajectory of the balls toward your position, it'd look like a cone. As you move farther from the hitter, that cone gets wider and wider."

"If you move closer, you narrow the cone, just like a goalie coming toward a shooter to close the angle," says Ripken, a schoolboy soccer star. "Closer is better — if you're positioned properly, if you read the angle of the ball off the bat well, if you're quick enough with your first step and your hands to cope with the ball getting on top of you a little faster."

Those, of course, are exactly Ripken's strengths. Positioning. Reading the ball off the bat. The quick first step. And great hands.

One of baseball's injustices is that Ripken has won only two Gold Gloves. Once, he made three errors in 1992 games. This season, he's again leading the league in fielding percentage (.985). But, to this day, he spends more time defending his defense than explaining how he does such a magnificent job.

Consider this: Ozzie Smith has led the league in assists eight times, putouts twice, double plays five times, chances-per-game six times and fielding percentage seven times. That's 28 defensive titles. Among the great shortstops since World War II, Luis Aparicio had 23 titles, Roy McMillan and Dick Groat 16, Don Kessinger 13, Mark Belanger had only eight defensive titles.

So, what does Ripken stand in the shortstop's pantheon? He has 24 titles — second to Smith. That seven for assists, six for putouts, three for chances-per-game, six for double plays and two for percentage. He also figures to pick up a couple more this season. Only 33, he could end up with the most titles ever.

His glove, not his bat, has always been his greatest tool. That such an historically adept and innovative fielder should also have more extra-base hits than anyone else during his time in the majors makes him unique. And valuable.

Oh, yes. Barring rainouts or injuries, Ripken will play his 2,000th consecutive game on the last day of July. He'll probably tip his hat. Once.

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Despite Their Fatigue, Reds Rally to Defeat Pirates, 8-7

The Associated Press

Sapped by an all-night flight home from Miami, the Cincinnati Reds were beat and the game hadn't even started.

But, with a resiliency not seen in Cincinnati since the mid-70s, and a fighting spirit that would make

NL ROUNDUP

Pete Rose proud, the Reds rallied three times Thursday night and beat the Pittsburgh Pirates, 8-7, in 11 innings.

Kevin Mitchell singled home the winning run with one out in the 11th.

"We were kind of flat the whole first part of the game," said the Reds' manager, Davey Johnson, who let his tired players arrive at the ballpark two hours later than usual. "We were tired from getting in at 4 A.M., and those 10-day road

trips take a lot out of you. In the sixth inning, we realized we were at home."

Shortly afterward, the Pirates must have realized they were in Cincinnati, where they had lost six straight since July 2, 1993.

They took a 5-3 lead into the eighth, but lost it on Tony Fernandez's RBI single and a bases-loaded walk to Hal Morris.

They took a 7-5 lead in the 10th on RBI singles by Carlos Garcia and Jay Bell, but lost it when Mitchell doubled and Morris hit Blas Minor's first pitch over the wall in right-center.

After Johnny Kuffin blanked the Pirates in the 11th, Minor gave up two walks and Mitchell's single just inside the third-base line.

"You get into those situations and the odds are against you winning," Morris said. "That's no secret. It's exciting."

And the Reds have mastered the art. The latest victory was No. 50, and half are come-from-behind victories. At Riverfront Stadium, they are 28-11, the best mark in the National League, and an impressive 8-1 in extra innings.

"We've played real well at home," said Morris, who is hitting .355. "We feel if we can keep it close late, we'll find some way to score a few runs."

Don Slaught went 5-for-5 for the Pirates and Jay Bell had three hits and three RBIs.

"We should have had about 10 runs," said the Pirates manager, Jim Leyland. "But that's not the ballgame. We still had the ballgame in hand and didn't get the job done."

Astros 9, Cubs 3: Craig Biggio got four hits against Chicago for the third time this season and

drove in three runs as visiting Houston won its sixth straight.

Steve Finley and Scott Servais added three hits apiece for the Astros, who finished with 17 and on defensive turned five double plays.

Giants 5, Phillies 4: Matt Williams hit his 31st homer following Barry Bonds' RBI double in a three-run sixth as San Francisco, playing at home, edged Philadelphia to snap its three-game losing streak.

Darryl Strawberry, robbed of a homer by Milt Thompson in the sixth, went 0-for-3 with a walk in his debut with the Giants and first major league game since June 1993.

Expos 7, Padres 0: Ken Hill pitched a five-hitter in San Diego to join Jimmy Key of the Yankees as the major league's only 13-game winners, and Darrin Fletcher hit a three-run homer as Montreal won its sixth straight from the Padres.

It was Hill's first shutout and second complete game this year. He struck out eight and walked one.

Mets 3, Dodgers 0: Todd Hundley hit his 13th homer to spark a three-run fourth in Los Angeles and Jason Jacone yielded only six hits in his second major league appearance as New York won its fourth straight.

Jacone, who joined the Mets' rotation when Dwight Gooden was suspended for violating his substance abuse aftercare program, did not walk a batter, struck out four and allowed four hits in the final 8½ innings. He allowed only one runner as far as third base.

Rockies 2, Marlins 1: David Nied retired the last nine batters in a seven-hitter and Andres Galarraga hit a tie-breaking single in the eighth as visiting Colorado beat Florida for its fourth straight victory.

DENNIS THE MENACE



JUMBLE

Unscramble the words below. Write the answers in the boxes. You may use the letters in the words below to help you.

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LAYREY
PRIMEE

Print answer here: A

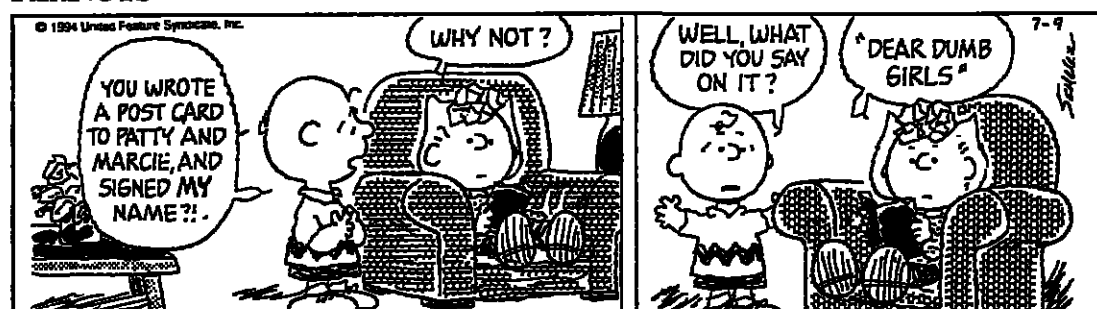
Yesterday's Jumble: SANDY COODA COLUMN SHINE

Answer: How the four multiple meanings of the word 'shine' — WITH A CLASS ACTION

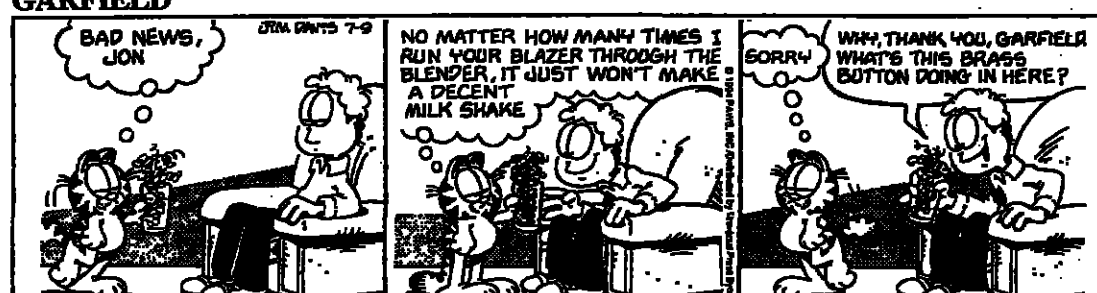
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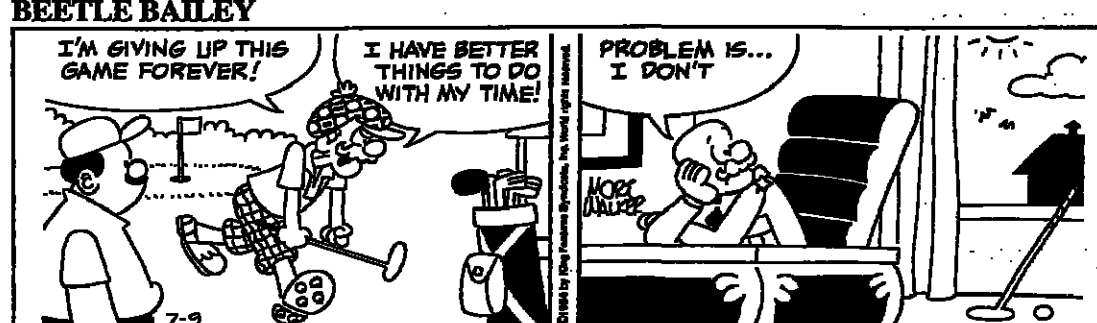
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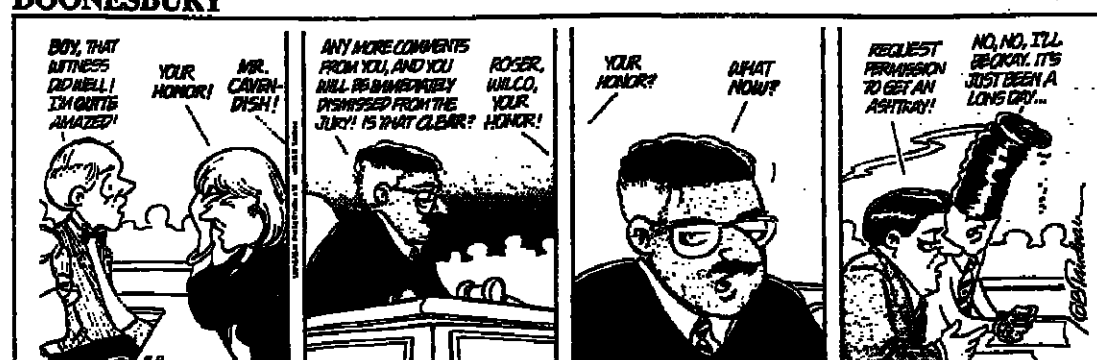
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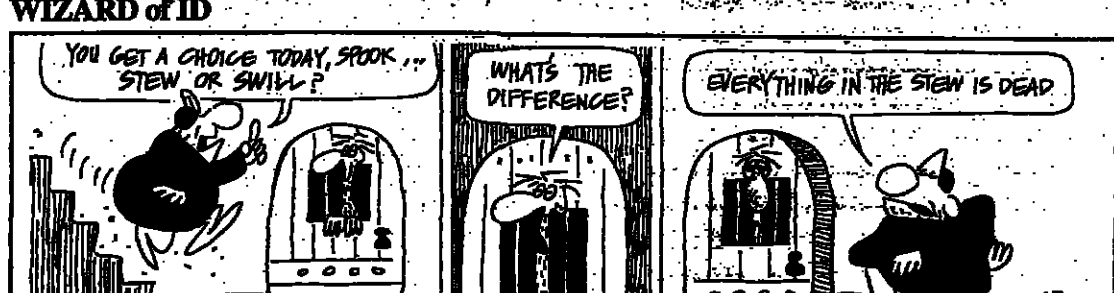
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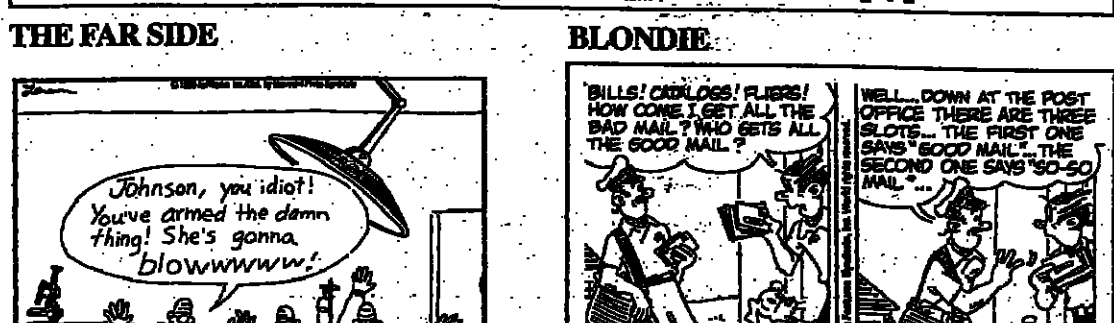
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SPORTS



Greg LeMond reached Kilometer 183 in Friday's stage of the Tour de France — and for him it was end of the road in this race, and probably his career.

England's Yates Takes Lead as LeMond Quits

By Samuel Abt
International Herald Tribune

RENNES, France — Greg LeMond reached the end of the road Friday in the Tour de France, and possibly the end of his glorious career.

LeMond, the finest bicycle road racer ever produced by the United States, dropped out of the Tour, exhausted, on a small hill, the Côte des Loges-Marchis, during the sixth daily stage of the three-week race. The finish came at Kilometer 183 (113 miles) of the 270.5-kilometer (168-mile) ride from Cherbourg to Rennes.

The three-time winner of the Tour, now reduced at age 33 to a struggling support rider for his team, had dropped behind on the climb. Part of the way up, he dropped out of the race.

"Just one hill too many," he said later at his hotel as he packed to leave for his home in Belgium on Friday night. "I just ran out of juice."

His abandonment was only one shock Friday.

Another was a change in the wear of the yellow jersey, the symbol of overall leadership in the Tour. The new man wearing it was Sean Yates, 34, an English rider for the Motorola team based in the United States.

Yates finished sixth, two seconds behind the stage winner, Gianluca Bortolami, an Italian with the Mapei-Clas team. Bortolami was part of a seven-man breakaway and sped away from his companions with little more than a kilometer left.

Second was Djamolidine Abdoujaparov, an Uzbek with Polti, and third was Beat Zberg, a Swiss with Carrera. The main pack, including the previous man in yellow, Flavio Vanzella, an Italian with GB-MG, finished 46 seconds behind after a disorganized chase of the breakaway.

Bortolami, who trails Yates by one second for the leadership, was timed in 6 hours, 58 minutes, 47 seconds. That made for a slow stage in cool and windy weather before a fair turnout of spectators as the Tour returned to the mother country after two days in England.

"You can't choose where you'll win the yellow jersey," joked Yates, who rode close by his home in southern England and stopped to greet his parents on Wednesday.

Overshadowed in this Tour by the other Englishman in the pack, Chris Boardman, who won the yellow jersey in the prologue last weekend and wore it three days, Yates took some revenge as he celebrated.

"I'm every bit a name in England as Boardman," he said with satisfaction.

In 13 years as a professional racer, Yates has never worn the

yellow jersey before. He is a team worker, an engine in chases after opponents and the finest descender from climbs in the pack. He is also the roommate and mentor of Lance Armstrong, the 22-year-old American who is the world road-race champion.

Yates' triumph was welcomed by his Motorola teammates and officials. Weakened by the loss of Andy Hampsten, their strongest climber, in a training accident before the Tour and the inability of Armstrong to get free for a stage victory so far, the Motorola riders have been looking for a boost.

They got it on what was jokingly referred to as the Tour's "Longest Day" — both because of the length of the stage and the fact that it celebrated D-Day 50 years ago. On the trip from Cherbourg in Normandy to Rennes in Brittany, the riders wheeled past Utah Beach, where U.S. troops landed, and through Ste-Mère-Eglise, the first town liberated from the German invaders.

Then the riders competed in a special D-Day Sprint in the city of St. L. from which Allied troops broke out to begin their advance eastward in 1944. The winner of the sprint was Olaf

Ludwig, a German with the Telekom team from his native country.

LeMond was still in the pack at that point and lasted two hours longer.

Only Friday morning, after the two disastrous stages in England in which he lost more than eight minutes over rolling and undemanding terrain, he said that he continued to suffer from chronic and unexplained fatigue.

"I have to say my patience is very thin right now," he said in a recent interview. "I'm on the verge of 'If I don't have a good race now, I'm going to stop.'"

"People say in hindsight, 'Greg raced one or two years too long. Greg should have stopped in '90 after he won his last Tour.' But if I would have thought that after my hunting accident, I wouldn't have won two more Tours de France and the world championship."

After his Tour victories in 1986, 1989 and 1990 and the world road-race championship in 1989, he finished seventh in the Tour in 1991, quit in 1992 and did not start in 1993. He has not won a race since 1992 but, even if he never wins one again, he goes out a champion.

Italian Officials, Citing Safety, Call Off Monza Grand Prix

Compiled by Our Staff From Dispatches

ROME — The Italian Automobile Club said Friday it had called off the Italian Grand Prix, scheduled for September in Monza, because of what it said are inadequate safety measures.

A spokesman for the International Automobile Federation, the sport's governing body, said the federation

has ultimate responsibility for whether a Grand Prix takes place. But, added the spokesman, Martin Whitaker, if the "national governing body refuses to license an event, then obviously it cannot go ahead."

Italian motor racing officials have repeatedly said they would call off the Monza race Sept. 11 if safety mea-

sures could not be tightened after the deaths of Ayrton Senna and Roland Ratzenberger at the San Marino Grand Prix in Imola.

Marco Piccini, the head of motor sports in Italy, said that new security measures proposed by FIA were inadequate. Piccini said all Grand Prix events in Italy had been sus-

pended for the remainder of the year.

"If in September a grave accident occurs, public opinion and the authorities of our country would not be able to fathom how a Grand Prix could have taken place when FIA made less stringent security measures than it had already proposed for 1994," he said in a statement.

SCOREBOARD

BASEBALL

Major League Standings

AMERICAN LEAGUE

East Division

Team	W	L	Pct.
New York Yankees	47	31	.604
Baltimore Orioles	46	32	.590
Boston Red Sox	40	38	.513
Detroit Tigers	38	40	.487
Toronto Blue Jays	35	43	.446

Central Division

Team	W	L	Pct.
Chicago White Sox	49	29	.625
Cleveland Indians	47	31	.604
Kansas City Royals	44	34	.563
Minnesota Twins	41	37	.526
Washington Senators	39	39	.500

West Division

Team	W	L	Pct.
Los Angeles Angels	41	39	.513
Oakland Athletics	38	42	.475
Seattle Mariners	36	44	.446
California Padres	34	46	.425

NATIONAL LEAGUE

East Division

Team	W	L	Pct.
Atlanta Braves	51	27	.658
Montreal Expos	47	31	.604
Philadelphia Phillies	41	37	.526
New York Mets	39	39	.500
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Thursday's Line Scores

AMERICAN LEAGUE

Team	W	L	Pct.
California	10	10	.500
New York	10	10	.500
Los Angeles	10	10	.500
San Francisco	10	10	.500
San Diego	10	10	.500

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AMERICAN LEAGUE

SPORTS WORLD CUP

Europe's Surprising Challenge to the Latin Game

International Herald Tribune
SAN FRANCISCO — In the playground of children, anything can happen. Here in the United States, where soccer remains predominantly child's play, nature is taking a beating.

We imagined the heat and humidity would sap the European game. We expected the Latin to come good while Europeans wilted. We thought history would prevail and preserve the status quo of no European World Cup winner this side of the Atlantic.

And what happens? Seven of the last eight are Europeans. Only Brazil can defend the Latin reputation now; only Brazil can keep the faith of a continent that still nurtures so many individual talents.

What tilts soccer against nature? It has much to do with free trade and world economics.

Just as some Latin American nations grow cocaine for export, so the continent sells soccer talent. Poverty traps in Argentina, Bolivia, Brazil, Colombia, Uruguay and so on are fertile grounds where talent rises under the sun, where boys often have little alternative but to play all day and a great thirst to escape.

Too many are sold before their schooling is complete. They live and work under European conditions, they become accustomed to being exotic exceptions in hard-working European disciplines.

When it comes to World Cups, when they return so fleetingly to their national cause, there is precious little time for coaches to persuade some of them to be workers, some to be stars.

Brazil is searching for the blend. It has the forwards, Romário and Bebeto, to win any contest in the flick of an eye. It has work horses such as Dunga. It has reasonable solidity in defense.

BUT THE search for a leader, for a playmaker to maintain the rhythm and beat of Brazilian style, is not yet convincing. Rai, the tall, angular midfielder, could yet be the catalyst, but he does not have the confidence or consistency that his older brother, Socrates, gave Brazil.

Rai drifts. His year in Paris has been inconsistent and without consistency, Brazil is having to experiment, to feel its way from match to match.

I think, nevertheless, that Brazil will beat Holland in the hot house of Dallas on Saturday. The Dutch have slowly got it together under the promptings of Coach Dick Advocaat.

But slowness in the Dutch defense, quickness in the Brazilian attack, is the key. Romário versus Ronald Koeman, club colleagues at Barcelona, is a pivotal duel, and whatever Advocaat devises to prevent his cumbersome captain from being exposed one-on-one to Romário's quicksilver pace, it will sooner or later happen.

Romário is like a sniper. He can finish the job with a single shot. Brazil relies on him, and on Bebeto, who also plays club soccer in Spain, to provide the Latin continuation.

Strangely enough, the Iberian challenge at this World Cup has less Latin flavor than we associate with Spain. Coach Javier Clemente is a Basque, as is the nucleus of his team, and the Basques are fighters.

So when Italy meets Spain in Boston on Saturday, the Italians had better be prepared for a

contest at least as draining as its last, fortunate encounter with Nigeria.

The African champion betrayed itself, attempting to sit on an early lead and to play the Italians at their own defensive game. Roberto Baggio, almost a single inspiration in a neurotic Italian side, saved that game in the last moments.

Yet Baggio and Italy's coach, Arrigo Sacchi seem as distant as their hairstyles are different: Baggio sports a pony tail, Sacchi is bald. Italy's tradition tells us that once it turns a corner of self-doubt, it wins major trophies. But Spain, attacking down the wings more than any other team at this World Cup, might outfight and outlast Italy.

Talk of fighting soccer and you get Bulgaria versus Germany in New Jersey on Sunday. This will not be for the purist.

Germany began its defense of the World Cup in grinding rather than convincing fashion. It suffered badly in the one game that it played in the midday southern heat, but, as Germans do, the players dug deep into reserves of tenacity.

I still doubt Lothar Matthäus's capacity to switch from midfield to defensive sweeper. But against Belgium in Chicago, on a day when the temperature dropped nearly to European levels, Jürgen Klinsmann and Rudi Völler came through.

WHATEVER it is, it must be a fine elixir that Völler takes. He is 34, he is out of retirement, he moves with the stealth of a Fagin in the penalty box. And the two goals he struck against Belgium make him second only to Gerd Müller as Germany's all-time scorer.

Having benefitted in that match from a gross refereeing error, which denied a Belgian penalty,

Germany has characteristically obtained two more days of rest than their Bulgarian opponents.

Germany may need that, and strong nerves and sinew this weekend. For the Bulgarians can be vulgar. Their play is laced with nasty, volatile, foul fouls, yet they overcome suspension after suspension. They persevere, and they have in Hristo Stoichkov a striker who might outwit the best or brawl with the worst.

In contrast to the Bulgarian version of former East European sports, Romania reached glorious heights of counterattacking-play in the victory over Argentina.

It was a performance to savour. The central character, Gheorghe Hagi, is built like Maradona, has had problems with alcohol rather than drugs, but has slimmer down for this calling. The Americans refer to him as a quarterback, which is not at all a bad description for the way this diminutive playmaker directs his side and releases his forwards with passes of fine precision.

With Ilie Dumitrescu and Florin Raducioiu running for him, with his own ability to strike from 30 meters, Hagi is almost a celebration of Romania's liberation from Ceausescu.

He and his teammates pre-empted this tournament with a mutinous demand for bonus money. Some of them carry precious Bibles, Coach Anghel Iordanescu holds a small cross in the palm of his hand, and the team members say they are united in carrying Romanian destiny.

Strong stuff. But Hagi possesses something closer to football. He is the "Maradona of the Carpathians," a European graced with Latin flair. I told you this was a tournament for Latins.

Rob Hughes is on the staff of The Times.



Bebeto was sure of Brazil's chances against the Dutch.

Brazil vs. Dutch: Game Fit for the Final

Reuters
DALLAS — Brazil and the Netherlands are promising a classic encounter of attacking football when they clash Saturday in the 1994 World Cup's most glamorous quarterfinal.

Both sides want to produce a confrontation fit for the final in a game they say the whole world will be watching.

"This has everything to be one of the best games of the tournament," said Brazil's coach, Carlos Alberto Parreira. "From what I've seen of the Dutch, I know they will attack Brazil. That will put us more at risk but it will also give us more space to play."

The Dutch coach, Dick Advocaat, said there would be little variation from the side that beat Ireland, 2-0, in the second round with a display that has given the Dutch players renewed confidence in their ability to win the World Cup.

"This is going to be a fascinating game because of the two types of styles," said Advocaat. "The Dutch play a game that involves players combining on the way to goal. Brazil depends a lot on individual skills."

"Brazil has a good team with great indi-

vidual players," he added, "but the same is true about the Dutch team."

The key to victory, and a semifinal berth, lies in how well the defense can cope with two of the most talented strike forces in the world.

The only previous World Cup encounter between the two countries was in 1974, when the Netherlands won 2-0, on goals by Johan Cruyff and Johan Neeskens, to clinch a place in the final.

The Netherlands, led by Cruyff, lost to West Germany, the host, which was led by Franz Beckenbauer. The Dutch have been haunted since by the tag that the squad was the finest team never to win a World Cup.

On Saturday, the Dutch will rely on two young players who have yet to make their marks on the world stage: Dennis Bergkamp, 25, and Marc Overmars, 21.

Overmars, possibly the fastest winger in the world, set up the opening goal against Ireland and his pace on the right is likely to pose problems for Brazil. Bergkamp has begun to find his scoring touch, with two goals the last two games.

Parreira is debating whether to use the

former Genoa and Porto player Branco or Cafu to replace the suspended defender Leonardo.

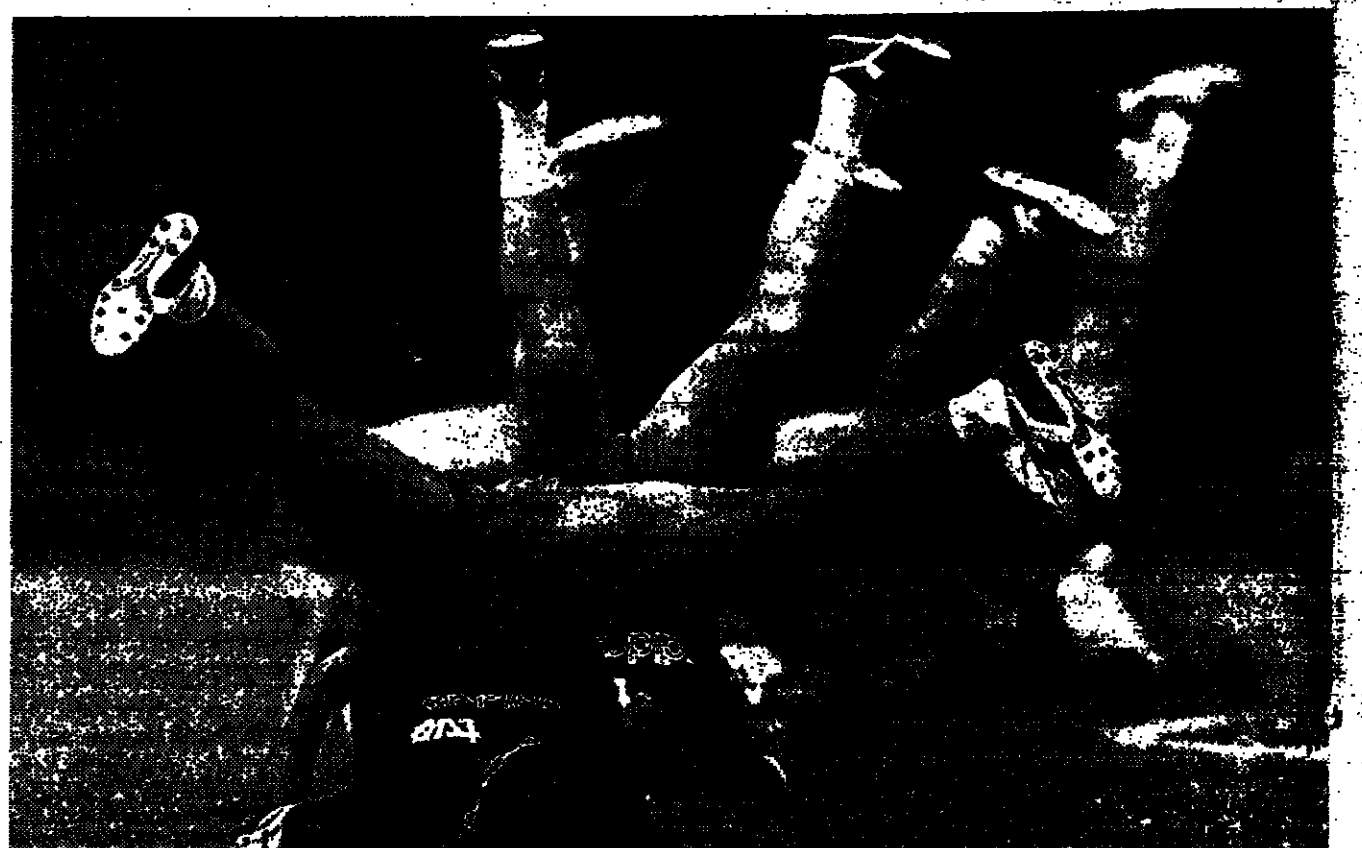
Neither is a satisfactory solution, especially considering the Dutch speed on the right flank, and Branco, who has not been in top form in the last year, has played only half a game since late May.

But it could be the skills of Romário and Bebeto at the other end that decide the quarterfinal. They have five goals between them, and have sliced open defenses with their vision, darting runs and passing.

The veteran Dutch international Frank Rijkaard, who will have the job of stopping them, regards Romário, a former PSV Eindhoven striker who is now with Barcelona, as the greatest player in the world.

"We are all going to have to produce great performances to beat Brazil," he said. Although Parreira gives the Dutch due respect, he does not doubt the outcome.

"They are a very well-balanced team, they have a great leader and inspiration in Ronald Koeman," he said. "But I'm only thinking of winning. We're already making arrangements to go to Los Angeles."



Spanish players working out in Concord, Massachusetts, preparing for their quarterfinal against Italy on Saturday.

SEVEN DAYS THAT CHANGED THE WORLD



5-11 JUNE
1 9 4 4

To commemorate these dramatic days, we have reproduced the seven front pages from the New York Herald Tribune which chronicled the events of D-Day and the first week of the rebirth of liberty on the European continent.

You can purchase a set of these full-size reproductions and follow the excitement, successes and setbacks as the troops established beachheads across a 75-mile stretch of the Normandy coast.

Printed on glossy paper, these reprints, which measure 46 x 61 cms (18.5 x 24 in.) each, can be framed or used as posters. Please use the coupon below to order.



No Fear for Sweden: They're Unbeatable

The Associated Press
MORAGA, California — Before the World Cup finals began last month, nine Swedish players said their team would reach the final match. One of the optimists was Klas Ingesson, and he is still standing by his prediction.

"We can beat all the teams that are left in the tournament," Ingesson said before Sweden's quarterfinal match against Romania at Stanford Stadium on Sunday.

Referring to a first-round match, he added, "Tying Brazil gave us so much confidence."

Even without the striker Martin Dahlin, who has four goals in the World Cup but was suspended for accumulated yellow cards, Sweden took a 1-0 halftime lead against Brazil on Kenneth Andersson's goal.

Sweden became Nordic champions in early June, finishing ahead of Denmark, the European champion, and Norway, which also played in the World Cup. Can the Swedes become world champions?

Ingesson doesn't look that far, but said: "I'd be extremely disappointed if we lose on Sunday. I've never played on a better

Swedish team and I doubt Sweden will ever have a side like this one again."

Ingesson, 25, has played for Sweden 46 times since his debut in 1989 and was a member of the team that finished third in the 1992 European Championship.

Ingesson, who plays for PSV Eindhoven in the Dutch first division and is one of 11 foreign-based players on the Swedish team, will face one of his club teammates on Sunday — the Gheorghe Popescu.

"Gheorghe is one of my best friends on PSV Eindhoven," Ingesson said. "He's very strong in the air and I think he'll mark Kennet."

Andersson is the tallest Swedish player at 1.93 meters (6-foot-4). He has scored three goals in the tournament, including two in a 3-1 victory over Saudi Arabia in the second round.

Ingesson was inconsistent in midfield during the first round, but played his best game of the tournament against the Saudis. Lack of training was the main reason why Ingesson looked rusty early in the tournament.

In May, he was forced to wear a neck

brace for three weeks after hitting a moose with his car on his way to a golf course in Sweden. Then, in his second workout in the United States, he bruised his thigh.

Ingesson scored off a rebound for Sweden in a 1-1 tie with Romania on June 12 in Mission Viejo, California, both teams' final World Cup warm-up.

"We were clearly the better team in that match despite the fact that we didn't have our best team while they did," Ingesson said. "And we're better now."

The key to beating Romania, said Sweden's coach, Tommy Svensson, is to close down its options in midfield: that is, Gheorghe Hagi, who has three goals and is a leading candidate for the tournament's most valuable player award.

"Hagi has been the outstanding player of the tournament," Svensson said. "His split vision is fantastic. He's fast, technically very strong and dangerous at free kicks. He also makes other players good."

"It will be our toughest task so far," he added. "The Romanians were impressive in all games except the one against Switzerland, when they showed low team morale."

CUP WRAP-UP

Compiled by Our Staff From Dispatches

Coach Bert Vogts has reassured Germany's country's soccer federation that he has no plans to quit after the World Cup.

The Frankfurt Allgemeine Zeitung newspaper on Friday quoted Egidius Braun, president of the federation, as saying he feared "attacks from parts of the media" might drive Vogts from his job.

The coach has been heavily criticized in the German press for the team's lackluster play. "We'll analyze the World Cup and talk about other things, but I intend to continue," Vogts said in Chicago.

Pelé, the tournament's best-known bystander, said there were no excuses for Diego Maradona failing the drug test that put the Argentine captain out of the competition.

"If he had been a young player of 17, you could perhaps understand it," Pelé said. "But Maradona has played in four World Cups and he knew he couldn't do that. There are no excuses."

Pelé also said it was sad that Maradona had never set a good example for young people. "He was never able to use his position," he said. "It may be his lack of family or religious background. Everybody follows what the stars do. They should be an example."

More assessments of the referees: Gerson, one of Brazil's past soccer greats, said in Dallas, "I've seen referees here who aren't fit to officiate on Copacabana beach. The only one who is any good is (France's Joël) Quiniou."

Said Clive Thomas of Britain, who officiated at the 1974 and 1978 finals: "The refereeing in America has been awful. It's the worst I have ever seen and FIFA must take the blame."

Gerson also said the coaches this time lacked imagination, and added that most players were mediocre.



Sweden's Kenneth Andersson prepared his head for the Romania match.

سكرا من الامم

SPORTS WORLD CUP

For the Final 8, the Plan Is That There Is No Plan



Lothar Matthäus resumed full training, still sore about.

BOSTON — Bulgaria needed to win in Paris nearly eight months ago to qualify for the World Cup finals instead of France. None of the French seemed to worry — Bulgaria had never won in 16 matches in the World Cup finals. The game in Paris was drawn, and Bulgaria was apparently, predictably, dead in a qualifying round 900 minutes long.

The ball fell out of the sky in the 900th minute, and Emil Kostadinov used the shadowed bit of the crossbar to knock it into the French goal. So Bulgaria was in the finals and drawn into a final group with Argentina, twice champion since 1978, and Nigeria, which demolished the Bulgarians, 3-0, in the opening game.

Borislav Mihaylov, Bulgaria's captain and goalkeeper, revealed that the players had gone on strike for two days after receiving only one-fifth of a promised \$72,000 bonus.

"The atmosphere in the squad started to deteriorate when the federation went back on their word given last November," Mihaylov said two weeks ago. "Now we are just not up to it physically to play a tournament as demanding as this."

Just a few hours before Argentina was to have knocked Bulgaria out of the first round, Mar-

dona was banished from the World Cup for illegal drug use. Argentina lost its next two matches, including a 2-0 upset that put Bulgaria through to the second round.

Whereupon Mihaylov beat Mexico on penalty kicks.

For all of its fits of drama and tragedy, the World Cup has gone basically to plan. Basically, there was no plan. A record seven European teams have advanced, which might say something about European soccer but probably doesn't — other than to deduce that the rest of the world went 1 for 11 in the first round. The three countries that have won the World Cup three times — Brazil, Germany and Italy — are still alive, but each is hardly invincible, which is why Germany is now in the position of worrying about Bulgaria.

We are seeing yet again how pressures mount in this sport as in no other. Germany has always appeared unswayed by its own grand reputation, and yet the Germans will go into their quarterfinal Sunday at Giants Stadium in New Jersey understanding that Rudi Völler, the striker who turned things around for them last weekend, is 34; that their 33-year-old leader, Lothar Matthäus, is still pained by the cut in his right foot that forced him to miss the second half against Belgium; that they avoided a penalty that would have brought Belgium within a goal of forcing extra time, and that now they are facing a team

that has exploited such weaknesses in its other opponents.

A quarter of the world's last eight teams come from Central Europe, which might have been the least likely such producer in the last five years. With the demise of the East bloc, Bulgaria and Romania have prospered by selling their players to the West, subsidizing the game at home while giving international players the experience that has seen them through the first games here.

The Bulgarian star, Hristo Stoichkov, signed with Barcelona for \$3 million, a Spanish bargain. Another striker, Luboslav Penev, went to Valencia, while Kostadinov plays for Porto. Mihaylov plays for Mulhouse in the French second division.

Romania has grown up just as quickly. Following a 5-2 qualifying loss to the Czech Republic a year ago, the team fired its entire technical staff, including the manager, Cornel Dinu. He was replaced by Anghel Iordanescu, who won his first three matches to put Romania into these finals. His record in meaningful games is now 6-1.

Gheorghe Hagi, who let Romania down in the 1990 finals, has lived up to his enormous reputation — thanks in large part to his experiences first with Real Madrid and now with Brescia in the Italian League. Another of the eight Romanians on club payrolls in Western Europe is the striker Florin Raducioiu, who had the honor and misfortune of signing with AC Milan,

the European champion, for which he played only sparingly this season.

"I'd have to say the new political system has been helpful," said Iordanescu, more than four years after the overthrow of Nicolae Ceaucescu. "Romania has always had talented players, but under the past system, our players couldn't cultivate their own personality or image. Now they can sign with professional teams and show their true talent and their true value."

Romania would appear to have the easiest route to the semifinal, playing Sweden, a fellow darkhorse, Sunday in Los Angeles. The other quarterfinals involve teams whose public will settle for nothing less than another championship. Two of them, Germany and Italy, will face underdogs who ought to be surprised to be here (Spain, Italy's opponent, having not advanced to the semifinals since 1950).

The pressure has clearly eaten up Italy, which has been able to win only in the panic of losing a man.

Then there is Brazil, which plays in a prologue mode — and a dazzling introduction it is — but has yet to get to the point. It has not achieved a higher gear, and now it is playing the Netherlands, which, without Marco Van Basten, Ruud Gullit and the coaching of Johan Cruyff, are not expected to advance. In America, that is just the excuse to win.

Is Hagi The Best? To Romania, Yes

By Steve Berkowitz
Washington Post Service

SANTA CLARA, California — You want presence? Gheorghe Hagi's got it.

He popped out of the Romanian national soccer team's locker room after practice at Santa Clara University and the team's coach, Anghel Iordanescu, who had been deep in a thicket of reporters, was suddenly not surrounded at all.

Hagi waited until he was fully encircled, then proceeded. His primary languages are Romanian and Italian, but a television crew from Mexico reached him first. No problem. The 29-year-old midfielder answered questions only in Spanish, still making sure to maintain his habit of referring to himself in the third person.

After three goals and three assists while leading Romania to the 1994 World Cup quarterfinals, the Spaniard asked, did Hagi think it was important to win the tournament's most outstanding player award?

"Yes, of course it's important to me," Hagi replied. "But not only is Hagi going to win an award, the whole team is going to win an award."

Nearby, Mike Barmes, 17, practically swooned. A high school senior who left his native Romania three years ago, he now lives in San Jose. Occasionally, he was on hand to provide Romanian-to-English translation. Hagi, of course, wasn't giving him a chance to do that. So, he stood just outside the pack and marveled at the short, stocky man with dark hair, dark eyes and a face covered with coarse stubble.

After the team departed, Barmes proudly recounted what had happened to him during Romania's practice the day before.

"I was standing on the sidelines, the ball went out of bounds and I actually passed the ball to Hagi," he said. "It left my foot and went to Hagi's foot."

He continued.

"Hagi is kind of a symbol for Romanians," he said. "He seems to be the one guy everyone knows. He's our ticket. Now people know we're not just Dracula and Nadia Comaneci."



The Dutch star Dennis Bergkamp taking a break in Dallas, where his team faces Brazil in the quarterfinals Saturday.

Or Is It Bergkamp? Striker Blossoms to Lead Dutch Team

By Helene Elliott
Los Angeles Times Service

DALLAS — It is nothing new for the Dutch forward Dennis Bergkamp to be living other men's dreams.

He was named for a Scottish soccer player whom his brothers admired, Denis Law, and with his family made regular vacation pilgrimages to England, where they watched as many matches as they could.

When he wasn't watching games, he was playing them. Before he was a teenager, he was touted for stardom by Johan Cruyff, who shepherded Bergkamp through the youth programs of the famed Ajax club in Amsterdam, his hometown.

Cruyff might have taught him a few tricks to fool defenders, but his sure touch around the net is distinctively his own. So are his speed and acceleration, which overshadow his subtle, precise skills with the ball. With three Dutch league scoring titles to his credit, he has largely fulfilled the promise seen by his family and nurtured by Cruyff.

But not until the last three weeks, when the Netherlands began its march through the World Cup finals, has Bergkamp been able to live his own dreams.

He was always polite and unassuming, eager to please but resistant to suggestions that he should be more dynamic. Teammates attributed his unassuming nature, and they probably were right.

Didn't he reject a chance to play in Spain because he didn't want to be alone in a foreign country? And when he decided to leave last fall to play in Italy for Inter Milan, didn't he insist that the club also sign his friend and Ajax teammate, Wim Jonk, so he wouldn't be alone?

They understood his skittishness, but some wondered about it. If he was reluctant to test himself in Spain, how would he perform under the pressure of starting for the Netherlands in the World Cup — and of being responsible for the team's offense after Ruud Gullit quit and Marco van Basten was injured?

To their delight, he has reacted with his usual poise and modesty — and new assurance. Bergkamp, 25, has blossomed during the last three weeks, becoming a complete player who is also completely at ease.

He has dominated play in leading the Netherlands to its quarterfinal match against Brazil on Saturday at the Cotton Bowl in Dallas. He has scored two goals and assisted on another in his last two games and has generated scoring chances in every game, transforming the Dutch into an entertaining team that isn't hesitant to attack.

"He is such an elegant player," said his teammate Bryan Roy. "He is an intelligent player who scores a lot of goals. I think he will become the greatest player in the world."

He has given credence to that in the Netherlands' four games. When he isn't scoring goals, he is setting them up, as he did Roy's game-winning in a 2-1 victory over Morocco in the final first-round game, giving the Netherlands the Group F title. Bergkamp scored the first goal in that game, taking a pass from Peter van Vossen and beating the defender Suahil Triki before flicking the ball past a helpless goalkeeper.

"I saw right away it was going to be a goal," van Vossen said. "That goal was beautiful. It was a beautiful moment."

It was significant, too, that in discussing that goal and his growing list of achievements, Bergkamp looked directly at interviewers, speaking softly but frankly and at length. In an interview a few weeks ago, he had looked off into the distance and mumbled something politely vague.

"I'm more confident," he said. "And I'm playing with much more confidence, like the team. We have taken our level of play to another level since the first round. If we continue to build our confidence and play like this, we should do very well."

Success has always come easily to Bergkamp, who made his debut for Ajax at 17 and for the Dutch national team at 21. The season he joined Ajax, the team went to the Cup Winners' Cup final. He led Ajax to a Dutch league title in 1989-90, the season after he had set a league record for scoring goals in 10 consecutive games. He was the Dutch player of the year in 1991 and the players' player of the year in 1992, yet his critics weren't satisfied.

"They always expect me to score goals," he said. "When you play in Italy and play for the Dutch team, the expectations are very high, always."

"For me, it has always been like that," he added. "When I was a young kid, 12 years old, I played for Ajax and there was pressure. Every year the pressure is getting bigger and bigger. For me, it's the same here."

But it wasn't the same old success story when he went to Inter Milan last fall. He chose that club instead of Barcelona, which is coached by Cruyff, because Inter promised to build its team around him and was willing to pay \$6.25 million to get him. He struggled to learn a new system, a new language and a new position — striker — instead of withdrawn forward.

He was roasted by the soccer-mad Italian press, called a spoiled rich boy and too meek to succeed.

"In Italy, they threw me into the lion's den," he said. "It was difficult, but I kept my faith in myself."

It took a while, but he turned faith into results. Although Inter finished near the bottom of the regular-season standings, Bergkamp produced a flurry of eight goals in leading the club to victory in the UEFA Cup tournament. In the meantime, he was guiding the Netherlands through World Cup qualifying, scoring five goals in four games.

"He can make the difference in the field in any game," said Ronald Koeman, the Dutch captain. "He's playing on his best [level] right now."

When he plays well, so do the Dutch. They attacked from the start of their 2-0 second-round victory over Ireland, and Bergkamp was in the thick of it. He converted a pass from Marc Overmars to score the first goal, which forced Ireland to modify its defensive stance and attack. That, in turn, left more openings for Bergkamp and his teammates, who scored again before halftime and played their best overall game of the tournament.

"The first half was a real showing of how the Dutch team can play," Bergkamp said. "Unlike the first three games, we dominated everywhere, up front, in midfield and on defense. This game proved we can play with players on the wings. Teams don't have to be so defensive to win games. This style of football has worked very well for us. We showed how Holland can play."

Well enough to beat Brazil? Bergkamp wasn't saying.

"They are very talented and they have two great forwards in Bebeto and Romario," he said. "But they need to worry about us, just like we worry about them."



The Spanish tenor Plácido Domingo entertaining the former German player and coach Franz Beckenbauer during the taping of a TV show. Domingo predicted a Germany-Brazil Cup final.



Lothar Matthäus, Germany's captain, gave T-shirts to policemen after a practice in Hinsdale, Illinois.

Italy Shakes Up Its Lineup, Germany and the Netherlands Have Injury Problems

Compiled by Our Staff From Dispatches

Italy's coach, Arrigo Sacchi, recalled goalkeeper Gianluca Pagliuca on Friday and dropped midfielders Giuseppe Signori and Nicola Bertè for Saturday's quarterfinal with Spain.

With defender Roberto Mussi ruled out by an ankle strain, the AC Milan veteran Mauro Tassotti will take over from him at right back with Pagliuca, suspended for the two previous matches, replacing Luca Marchegiani.

Juventus midfielder Antonio Conte will make his World Cup debut on the right of midfield instead of Bertè.

Dino Baggio will return in the center of the midfield, allowing Roberto Donadoni to move over to replace Signori on the left.

Key midfielder Matthias Sammer may miss Germany's quarterfinal against Bulgaria because of a leg injury.

"It's a problem with the calf muscle," said the team's coach, Bert Vogts. "He didn't train the last two days."

"I really hope he'll recover in the next two days," Vogts added. "We would have to change our midfield tactics if Sammer is unable to play."

The team had already lost two midfield-

ers, Stefan Effenberg, who was sent home, and Mario Basler, who returned home to be with his wife, who is having problems in the eighth month of pregnancy.

But the good news was that Lothar Matthäus had resumed full training and should be fit for Sunday's game.

• The Dutch, too, had injury problems, with forwards Marc Overmars and Peter van Vossen not being able to train at full speed.

"Overmars is still troubled by a calf injury," said the team's coach, Dick Advocaat. The winger ran leisurely laps round

the Cotton Bowl while his teammates were training with the ball.

Fellow forward Van Vossen was still troubled by a light groin strain, but was expected to be able to start Saturday.

• Spain should be at full strength for the first time when it plays Italy on Saturday.

Starting midfielder Fernando Hierro and defender Rafael Alkorta, both of whom had been nursing strained muscles, were cleared by doctors to play and all 22 players took part in training outside Boston.

"Physically speaking, the side is 10 out

of 10 and problem-wise we're at zero," said the medical services chief, Enrique González-Ruano.

Veteran goalkeeper Andoni Zubizarreta, sweeper Miguel Nadal and midfielder José Luis Caminero are back from foul suspensions.

• Swedish defender Roland Nilsson said he expected to be fully recovered from a calf injury. But defender Joachim Björklund, who suffered a recurrence of an old groin strain in the second-round match against Saudi Arabia, was doubtful of playing against Romania. (Reuters, AP)

